

## NEWS SUMMARY

### GENERAL

#### Fifth murder victim found

In Scotland yesterday the body of a fifth murder victim, believed to be Dorothy Scott-Elliott, wife of a murdered former Member of Parliament, was found. A partly-clothed body was found in a water-filled ditch at Braco, Perthshire. It had recently been bundled over a side wall and covered with s and leaves. A search for Mrs. Scott-Elliott was going on amid snowfields all week, but she was switched to a new site yesterday after a man who helped the fourth body in Dumfriesshire arrived in Perthshire under heavy escort. Police at Newcastle-under-Lyme found thousands of pounds of antiques and other property belonging to the Scotts.

#### Boy expelled

Opia expelled the West German ambassador yesterday in protest reaction to Bonn's action to give \$12m. aid to Somalia. He is the second Western diplomat asked to leave Opia this month. Westerners to press for talks to end Somalia-Ethiopia fighting.

#### Alien crisis

In the eve of inter-party talks Italy's political crisis, the communists have reaffirmed their demand for direct participation in the next Government, being resisted by the Christian Democrats. Sig. Giulio Andreotti, Premier-designate, begins a series of overtures to opposition parties in order to obtain support for a new Government. Page 2

#### Host city

Penh resembles a "ghost town" with few people and no mail or telephone services, according to Scandinavian diplomats just back in Peking from a visit to the Cambodian capital. The Communists had taken over the State bank and use banknotes were lying in the streets. Vegetables grew in side alleys and there was no sign of rationing or of panic over the air war with Vietnam. Daily Glop near war zone.

#### Space link-up

United States yesterday carried a link-up between the first new type of unmanned cargo ship, Progress-1, and the long space station, Salyut-6, cargo ship, launched on Saturday, has taken fuel, scientific equipment and other supplies to the cosmonauts in the space station.

#### Lizard clears

Abroad north-eastern states the U.S. have been struggling to normal after days of bad weather. Airline flights resumed as runways were cleared of snow. Services returned to normal where commuter buses were cut off for two days and highways were closed although snow still lay higher than roofs of some New York City buildings.

#### Lefty

Robert Satell, former English and Yorkshire opening batsman, died yesterday in a dog home at Keighley, Yorkshire, at the age of 83. He had played for Yorkshire and the Labour Party in Nottinghamshire. He had chosen miners' three Frank Haynes, 51, to get the seat which Mr. Tim Timlin narrowly won for the Labour Party in the by-election last year. His £50,000 premium bond was won by No. 1VS 197088. Winner lives in Bedford.

### BUSINESS

#### Firm line on jobs aid scheme

THE GOVERNMENT will take a firm line when it defends the Temporary Employment Subsidy before the EEC Commission later this week. Commission officials are concerned at the distortion effect the subsidy has on competition within the Community, but the U.K. Government has made it clear that some measures to assist employment must continue.

BRITISH LEYLAND shop stewards meet today to launch a shopfloor campaign to boost production and cut strikes, in an attempt to persuade E.C. management not to reduce employment. Company forecasts suggest that B.L. will supply only 25 per cent. of the U.K. car market over the next five years. Back Page.

#### Tough action on pay code breakers

SUN ALLIANCE Insurance group may find itself on the Department of Employment pay sanctions blacklist because of changes in the companies' pension scheme. Page 3. Meanwhile, the Department of Energy has told British Gas and the C.B.G.E. not to deal with companies which breach the pay code, and so prevent higher prices being passed on to the consumer. Back Page.

CONSUMER expenditure is expected to make a sharp recovery in the summer, according to the latest Financial Times survey of consumer confidence. Page 42. At the same time, the Government is coming under increased pressure to plug the Price Commission loophole which allows companies to put up their prices while they are being investigated by the Commission. Page 5.

NATIONAL SAVINGS receipts for the five weeks to the end of December totalled £61.6m, compared with £15m. in the same period in 1976. Page 3.

GATT meeting—the so-called Tokyo round—begins its most crucial phase today, as the negotiators begin to discuss the rules governing international commercial relations for the next decade will be decided. Back Page.

BRITISH RAIL is expected this year to place orders worth £22m. for ships for its Channel services. The ferries will almost certainly be built in U.K. yards. Page 3.

EMPLOYEE share-ownership schemes are to be the subject of a Treasury consultative document to be published soon. Back Page.

STOCK EXCHANGE has outlined to stock market firms arrangements to protect investors against the possibility of default in the proposed trade in share options. Podium 3 on the Exchange floor will be used for the trading. Page 40.

AN INVESTIGATION by the Stock Exchange into the conduct of affairs of Mr. Alan Knapp, who resigned as senior partner of stockbrokers Sandelson and Co. last August is almost complete. Back Page.

EASTMAN KODAK has lost a \$300m. anti-trust suit in the U.S., brought by Berkeley Photos. Kodak is to appeal. Page 2.

CARLSBERG, the only Continental brewery group with its own brewery in the U.K., reports profits of £2.5m. on U.K. sales for the year to September 30 compared with £500,000. Page 40.

SAUDI-ARABIAN shipping line has been formed to capture 40 to 50 per cent. of the country's rapidly growing seaborne trade. Page 2.

## Carter unveils \$24.5bn tax reductions plan

BY JUREK MARTIN, U.S. EDITOR, Washington, Jan. 22

President Jimmy Carter's \$24.5bn (£12.7bn.) tax reduction plan, unveiled over the week-end, contains significant tax cuts for corporations and individuals, but some of his controversial relatively minor reform proposals could be substantially altered by Congress before becoming law.

Among items likely to be hotly debated are the proposed phase-out over three years of the tax subsidy for American exporting companies known as Domestic International Sales Corporations (DISCS).

Several popular business tax deductions, including first-class air travel and executive lunches, may be curbed.

The package produces net cuts of about \$24.5bn. (\$16.8bn. for individuals, \$5.7bn. for corporations, and a further \$2bn. in Federal excise relief).

In fact, the overall cuts amount to about \$34bn. (\$23.5bn. for individuals, \$8.5bn. for businesses, plus the \$2bn. off excise taxes), but these are reduced by \$9.4bn. in revenue-raising reforms.

The cuts are planned to take effect on October 1, when the Administration believes the economy may need some stimulus after a good first half of the year.

Mr. Michael Blumenthal, the Treasury Secretary, said that the economic effect of the measures would be to create a million more jobs by the end of 1979, to reduce unemployment by 0.5 per cent. and to ensure that the real growth in gross national product would be 1 percentage point above what it would have been if no stimulus were applied.

Administration officials also insist that the cuts are necessary to offset the fiscal drag of

the new social security levies and the impact of inflation on tax receipts, which, it is estimated, will be nearly \$30bn. out of the economy over the next two years.

To the \$24.5bn. in new tax cuts should be added another \$4bn. unspent from last year's mini-reformatory measures.

An underlying Administration philosophy is that assistance should come in the form of tax cuts rather than greater federal spending.

Mr. Carter's budget, to be unveiled tomorrow, will peg federal outlays at about \$500bn., a real increase of less than 2 per cent. on the current fiscal year.

The deficit will remain high at just over \$60bn. but would have been \$10bn. to \$15bn. without the tax cut provisions.

Initial reaction to the tax proposals, a shrunk version of the promised wide-ranging reforms, has been rather critical. A similar fate is meeting Mr. Carter's voluntary anti-inflation plan, which both corporate and labour leaders are opposing.

Congressman Al Ullman, chairman of the House Ways and Means Committee, from which all tax legislation emanates, has said that he believes the stimulus to be too large the would prefer about \$10bn. less and that he does not like the ending of corporate foreign tax breaks and entertainment deductions.

The phase-out of DISCS at a

## Monetary policy crucial to Budget tax cuts

By Peter Riddell, Economics Correspondent

THE INCREASED importance of monetary policy in decision-making is likely to be shown in the size of the tax cuts in the spring Budget.

As a result, the Government's commitment to control the growth of the money supply probably will be a bigger factor than calculations based merely on the use of the whole of the potential headroom below the borrowing ceiling agreed with the International Monetary Fund.

Current indications, however, are that there still should be scope for a stimulus of at least £2bn., and possibly about £3bn., mainly in the form of a reduction in income tax.

There may be cautious about larger-scale action than this, not only on monetary grounds but also because of concern about whether, in practice, the economy can grow much more rapidly than planned for the immediate future.

These factors have emerged as key influences on thinking within the Treasury as preparatory work on the Budget moves into higher gear.

The importance of monetary considerations was highlighted last October when Mr. Denis Healey, Chancellor of the Exchequer, explained why the tax cuts made then absorbed only about half the leeway below the borrowing ceiling for the current financial year.

"It would have been difficult to take full advantage of the borrowing requirement headroom and still keep control of the monetary aggregates as planned," he said.

Similar factors are likely to apply in the financial year starting in April, especially as the contribution to the growth of the money supply for private sector loan demand probably will be much larger than at present.

This will have to be accommodated within an upper growth limit which is unlikely to be significantly different from this year's figure of 13 per cent., even though the target itself is likely to be more flexible and on a rolling basis.

The non-monetary influences also were stressed by Mr. Healey when he said he was "personally deeply conscious of the supply constraints on the speed at which an economy recovers after a long period of depression. I am determined not to inject a degree of demand which will lead to the

Continued on Back Page

## Israel halts Cairo peace discussions

BY DAVID LENNON

TEL AVIV, Jan. 22

ISRAEL decided today not to resume for the time being discussions of the military committee on a Middle East settlement in Cairo.

The Government today recalled General Avraham Yaron from Cairo, where he was heading the military committee, for consultations. The rest of his team will stay in Cairo for the moment.

The Israeli Foreign Ministry said Israel did not see much point in the military committee resuming talks while the political committee in Jerusalem is in suspension following the departure of the Egyptian team.

The Cabinet decision, taken in the face of strong U.S. urging to maintain a direct dialogue with Egypt, is a further blow to the already fragile relations between the two countries. Mr. Menachem Begin, the Prime Minister, said

Mr. Cyrus Vance, U.S. Secretary of State, expects Israel and Egypt to resume peace contacts within the next week to 10 days, a senior U.S. official said in Washington last night, Renier reports.

Mr. Vance expected Israel to resume participation in the Cairo military talks despite the Israeli announcement of a postponement of the discussions.

Mr. Begin had decided to postpone until Tuesday a decision on resumption of the Cairo talks.

It had been taken because President Anwar Sadat when he addressed the Egyptian People's Assembly on Saturday night had made "ultimative demands which are totally unacceptable to Israel."

Mr. Begin called Mr. Sadat's speech "extremist and aggressive" and accused Egypt of conducting "a campaign of grave violation against the State and the Government of Israel."

The Israeli Premier called on the Egyptian Government to prevent a repetition of such statements. He said they together should create "a suitable atmosphere for the calm conduct of negotiations in which Israel is still interested."

The Cabinet would reconsider the decision on the military committee at an unspecified future date. The Prime Minister intends to respond to President Sadat's speech when he addresses the Knesset tomorrow.

Now the Middle East peace negotiations have reached a stalemate, it is now up to the U.S. to get the process moving again, an Israeli official said to-night.

The latest development had set the region back almost to the point it was at prior to President

Sadat's dramatic peace initiative, he added. The barriers of mistrust which the Egyptian leader originally sought to tear down were clearly still intact.

Roger Matthews reports from Cairo: Only a major shift in Israeli attitudes can now save President Sadat's Middle East peace initiative from failure.

This became starkly clear last night after the Egyptian leader's long and rather rambling speech to the People's Assembly.

For the first time in the past three months he appeared to be on the defensive, probably for domestic political reasons, and failed to produce the clear reassessment of the situation that he had promised.

Mr. Sadat's primary hope is that the United States administration can induce sufficient Israeli flexibility to allow the discussions of the political committee—halted by Egypt last Wednesday—to resume at some future date.

To this end, Mr. Sadat announced that he was willing to permit the joint military committee to go ahead if the Israelis decided to halt by Egypt last Wednesday.

The obvious bewilderment of President Sadat at Israel's determination to keep its settlements in northern Sinai again showed through clearly last night. He said he had told Mr. Ezer Weizman, the Israeli Defence Minister, that it would be a joke, that it could not be a serious demand. "If you are serious about this, please tell Br. Begin that I will not allow a single settlement, or give up a square inch of my land even if this means that I fight you to the ends of the earth."

Significantly, it was this statement by Mr. Sadat which drew the warmest applause from the People's Assembly, tending to confirm the view that he is finding it increasingly difficult to carry all senior members of his regime along with him. For the most part, members of the Assembly heard Mr. Sadat in silence and left with a feeling of let-down that has not recently been experienced.

The style, timing and content of the Israeli Prime Minister's utterances in the past days have undoubtedly contributed to the feeling of pessimism in Cairo and produced the realisation that total failure is now a real possibility.

The only rabbit that Mr. Sadat did pull out of the hat was the revelation that he had asked the U.S. to provide Egypt with the same quantity of arms that it was supplying to Israel. Although the request was made without hope of its being realised, Mr. Sadat went on to emphasise that it was U.S. military aid to Israel which contributed to that country's intransigence.

Arab reaction. Page 3

## Swan Hunter holds pay talks with boilermakers

BY IAN HARGREAVES AND NICK GARNETT

SWAN HUNTER management and negotiators for the company's boilermakers held talks throughout the week-end to try to reach some agreement on the pay and flexibility dispute which has led to the withdrawal from the company of the remaining ships allocated to its order book.

The boilermakers stressed that they were not scrapping all their flexibility arrangements, and part of the talks apparently hinged on ways of minimising the effects of reducing the amount of job interchangeability.

Although British Shipbuilders said on Friday that the decision to reallocate the rest of Swan Hunter's share in the Polish order—three to Govan on the Clyde and one to Smith's Dock on Teesside—was final, Mr. John Chalmers, general secretary of the Boilermakers Society, said he still had "a slim hope" that the four ships would be built on the Tyne.

Mr. Chalmers, who was involved in the week-end talks along with shop stewards, said, however, that his optimism was being "drained away."

Shop stewards at Swan Hunter are due to meet this morning, with a further meeting with management later in the day.

Govan shop stewards are also meeting today to discuss their attitude to the reallocation of the further three bulk carriers in the order to the Clyde.

The meeting cannot be expected to offer a straightforward acceptance of the latest addition to the yard's share of the order.

Mr. Jimmy Airlie, head of the joint shop stewards committee, takes the view that Govan should not be seen as the dumping ground for the problems of British Shipbuilders.

He is strongly critical of the failure, as he sees it, of British Shipbuilders to foresee the complex labour problems which have been thrown up by public stampeding of the unions into pledges of good behaviour.

He also attacks the leadership of the Confederation of Shipbuilding and Engineering Unions for failing to base its response to the Swan Hunter problems on the principle of no redundancies.

The likeliest outcome of today's meeting is that the Govan stewards will not block their yard's nomination on the final building contract which Mr. Michael Casey, British Shipbuilders' chief executive, has to sign in Poland this week.

The stewards hope that, after signature, further efforts will be made to resolve pay parity issues on the Tyne and so make it possible to switch the orders back to Swan Hunter.

Although British Shipbuilders will not be drawn on the possibility of such a development, it has taken the view all along that individual ship orders can be switched mid-contract.

Govan is not in a position to start work at once on the three 18,500-tonne bulk-carriers lost to the Tyne last Friday. It still has four larger vessels for the United Arab Shipping Company on the stocks.

British Rail Orders—Page 3

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British Rail Orders—Page 3

## Liberal decision makes autumn election likely

BY RICHARD EVANS, LOBBY EDITOR

THE PROSPECT of an autumn General Election appears increasingly likely following the decision of the special Liberal Assembly at the week-end to continue the Lib-Lab pact until the summer and to allow Mr. David Steel, the party leader, to choose the time for withdrawal.

Although Mr. Steel would like to keep his option on renewing the pact open, he admitted yesterday that the chances of reaching a further agreement for the next Parliamentary session, while not impossible, were extremely slender.

Despite the impressive endorsement by more than 3-1 for continuing the pact until July, Mr. Steel would almost certainly find that the terms he would have to seek from Mr. James Callaghan for renewal would be too high.

In practice, the Assembly decision by 1727 to 520 marked the beginning of the Liberals' gradual disengagement from the agreement that has sustained Labour's minority Administration in office since last March.

Nevertheless, Mr. Steel's personal triumph at Blackpool, when he sought to spell out the harsh realities of his balance of power strategy to a party deeply worried by lack of electoral success, means that the Government is safe for the remainder of the session. Mrs. Margaret Thatcher, the Conservative

leader, will not seek to table a motion of no confidence she knows she will lose.

It gives Mr. Callaghan the necessary security to complete his present legislative programme, including the devolution measure he regards as vital to Labour's prospects in Scotland, and to complete the Finance Bill implementing what promises to be a popular Budget.

In the summer, the Prime Minister will have to decide whether to call an election around October or soldier on for another session.

Without firm Liberal support this would be a considerable gamble, particularly as the Nationalists would be less disposed to keep him in office once devolution legislation is completed.

Continuation of the pact simply means that the 12 Liberal M.P.s will support the Government on confidence issues, but not over the whole range of policy.

An illustration of Liberal independence is likely in the Commons to-night when the

Tories warned not to exploit rate Page 3

Liberal share-ownership plan Back Page

### Different

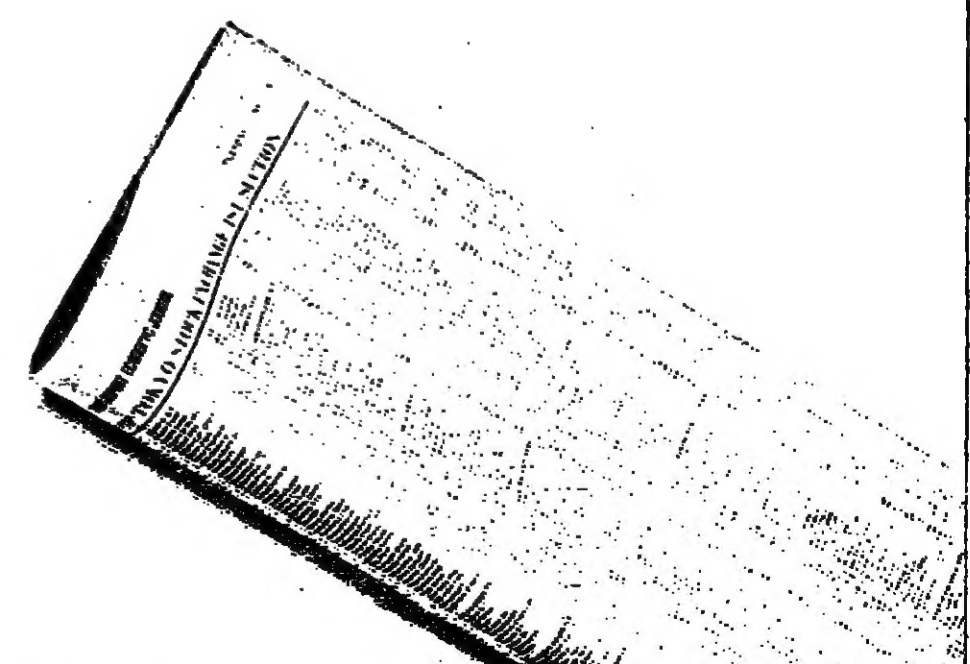
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## OVERSEAS NEWS

## West to seek negotiated settlement to Ogaden war

BY DAVID BELL

WASHINGTON, Jan. 22

OFFICIALS FROM five western countries met for more than seven hours in Washington yesterday to discuss ways to encourage Somalia and Ethiopia to open peace talks and prevent further fighting over the Ogaden region.

A State Department spokesman said this morning that all five countries—the U.S., Britain, France, Italy and West Germany—agreed that negotiations were the only way to end the fighting and all pledged full support for the initiative of the Organisation of African Unity to get talks on the way.

The five nations were the same group who were formally asked last week by the Somali Government to supply Somalia with arms following the massive Soviet build-up that has taken place in Ethiopia in the past seven weeks.

While the U.S. has ruled out supplying arms to Somalia while the present fighting lasts—and banned the transfer of American-made weapons by other countries to Somalia—there is some speculation here that the U.S. will not be displeased to see other countries supplying limited quantities of weapons to the Somali.

It is widely believed that Iran, Saudi Arabia and China may already have sent some kinds of

weapons to the Siad Barre Government.

However, it is understood that yesterday's talks were more concerned with the prospects for setting negotiations started and with the possibility of the Somalia-Ethiopia conflict being discussed in the United Nations Security Council. Last Wednesday in the House of Commons Dr. David Owen, the British Foreign Secretary, did not rule out the possibility that Britain might supply arms to Somalia although he said that since the fighting started the U.K. had not sent any arms to either side.

The Carter Administration has been watching the Russian build-up in Ethiopia with mounting concern and it is assumed here that the U.S. will tacitly approve any shipment of weapons by a European nation to Somalia if only as a symbol of Western support.

Subsequent reports from Bonn: The West German ambassador to Ethiopia, Herr Hans Christian Lankes, was ordered this week-end to leave the country. The action follows word that Bonn is prepared to provide Somalia with a DM25m. credit which could conceivably be used for arms purchases.

The sum would be made available from the West German development aid budget, but as a

freely disposable credit for whose precise use the Somali Government would not have to account. The Development Aid Minister, Franz Marie Schlei, described this form of aid this week-end as "not typical—but not extraordinary either."

Word of the credit comes as something of a surprise—even though relations between the two states are particularly close, following Somalia's support last October for the West German commando raid in Mogadishu against terrorists who had hijacked a Lufthansa jet.

In his government policy statement last week, Chancellor Helmut Schmidt reaffirmed Bonn's policy not to deliver arms to areas of tension.

David Satter reports from Moscow: Pravda stated today that the immediate withdrawal of Somali forces from Ethiopian territory is a necessary prerequisite for peace talks in the Horn of Africa and reiterated the Soviet denial that aircraft, ships, and troops of the Soviet armed forces are fighting on the side of Ethiopia. It said that there could be no Somali-Ethiopian peace talks now because for Ethiopia to participate in negotiations would be equivalent to consenting "to the consequences of Somali aggression."

## W. German industrial action in prospect

By Jonathan Carr

BONN, Jan. 22

POSITIONS hardened this week-end on two fronts in the current round of West German wage negotiations. Strikes of dock workers and metalworkers are no longer ruled out.

Some 16,000 workers at the country's six ports voted overwhelmingly in favour of strike action unless employers made what was called a new and acceptable offer by tomorrow evening. The public services union is seeking a wage increase for the dock workers, while the official mediator has proposed an average 5.3 per cent, a suggestion to which the employers have already agreed.

Meanwhile employers in the metalworking industry yesterday unanimously reaffirmed their view that last year's accord, expiring on October 31, should simply be extended for six months and then followed by a new agreement for the period May to October, 1978 inclusive.

The executive board of the Metalworkers' Union, IG Metall, meets to-morrow in Frankfurt. It is expected that the union will seek a rise of 7 per cent, a proposal which the employers' offer will prove unacceptable and that a strike may result. The West German steel industry registered a 19 per cent increase in new orders during December to a new level of 1,96m. tonnes. Orders from domestic customers were up by 140,000 tonnes, while those from foreign sources other than the European Community rose by 180,000 tonnes. New orders from within the Community were virtually unchanged.

## Agreement over U.S. labour Bill

By John Wyles

NEW YORK, Jan. 22

SENATE SUPPORTERS of the Carter Administration's labour law reform Bill have agreed to compromise changes in a bid to avert a filibuster by the American trade union movement's legislative ambitions for this year and is strongly opposed by virtually all business organisations.

Originally drafted by the American Federation of Labor, the bill has been softened before the Administration agreed to endorse it. It passed through the House of Representatives by a substantial margin last week.

But the Senate has always been seen as the key obstacle because the business lobby was expected to be more effective in it. The compromise changes helped the bill through the Senate's labour committee on Friday and it will pass to the human resources committee on Wednesday.

In essence, the Bill is designed to remove procedural delays to union efforts to secure representation elections among groups of workers and to impose stiff penalties on employers who act illegally to try to frustrate union organising drives.

## Ecevit wants summit talks

By David Tonge

ANKARA, Jan. 22

MR. BULENT ECEVIT, Turkey's new Prime Minister, today capped an intensive review of Turkey's role in the world with a formal proposal to his Greek counterpart for a summit meeting.

The proposal came in a reply to Mr. Constantine Karamanlis' congratulatory message following last week's vote of confidence in Turkey. According to Turkish radio and television to night, Mr. Ecevit said the purpose would be "to reopen the way to a fruitful dialogue that would restate mutual trust and find solutions satisfactory to both sides to our problems."

## Kuwait change

KUWAIT, Jan. 22

THE KUWAIT Government resigned today, three weeks after the Prime Minister, Sheikh Jaber al-Ahmed al-Sabah, was proclaimed Emir on the death of the previous ruler, Sheikh Sabah al-Sabah al-Sabah.

## Portugal's CDS to have three posts

By Diana Smith

LISBON, Jan. 22

IT NOW seems certain that Portugal's Christian Democratic Party (CDS) will receive three Ministries—Foreign Affairs, Trade, and a new enterprise, the Ministry of Administrative Reforms—when Mr. Mario Soares is now in the process of choosing.

Since they are reluctant to lose all control over foreign affairs, the Socialists are likely to put one of their members into this Ministry as Secretary of State under Mr. Victor de Macedo, CDS MP and Deputy Speaker of Parliament, who is considered a relatively "laissez-faire" personality and is almost certain to be the next Foreign Minister.

## WORLD TRADE NEWS

## Sharp decline in U.S. exports to Soviet Union

BY DAVID SATTIR

MOSCOW, Jan. 22

THE VALUE OF U.S. exports to the Soviet Union declined by over 30 per cent during the first nine months of last year compared with the equivalent period of 1977—the result of an even steeper drop in the value of agricultural exports.

Figures released by the U.S. Embassy show that the decline in U.S. exports stems from the successful 1976 Soviet grain harvest which allowed the Soviets to cut back on the massive grain imports which swelled total U.S.-Soviet trade in 1976 to more than \$2.5bn, an all-time record.

U.S.-Soviet trade turnover for the first nine months of last year came to \$1,466m., a decline of 27 per cent from the \$2,001bn registered for the same period of 1976.

Most, although not all, of the decline resulted from a fall in U.S. agricultural exports to the Soviet Union, the value of which was only \$777m. or 36 per cent below the value of agricultural exports during the equivalent period of 1976 which was \$1,220m. The U.S. Embassy says, however, that the value of U.S. trade may soon reach higher levels because of the renewed Soviet interest in importing grain after the disappointing 1977 harvest.

The U.S. Department of Agriculture officials estimate that the Soviets bought approximately 12m. tonnes of American grain in

1976-77 and only 6m. tonnes in 1977-77, will purchase between 8m. and 15m. tonnes in 1977-78. Even though grain prices are lower now than in previous years, increased Soviet purchases are expected to have a favourable impact on the total value of trade.

The decline in U.S. agricultural exports to the Soviet Union during the first nine months of last year was matched by a decline in the value of non-agricultural exports, principally

oil and gas, machinery and other finished goods. The value of such exports to the Soviet Union was \$502.2m.—a decline of 18 per cent from the \$613.5m. expected during the same period of 1976.

The drop is seen by commercial sources as a reflection of the tightening-up of Soviet hard currency purchases of finished goods and not as a specific retaliation for U.S. trade legislation which the Soviets regard as discriminatory.

## Swiss trade pact signed

BY JOHN WICKS

ZURICH, Jan. 22

A TEN-YEAR trade agreement has been signed between Switzerland and the Soviet Union with the intention of developing co-operation in commercial, industrial and technological sectors.

The framework agreement, the first of its kind to be entered into by the Swiss, will provide the basis for a long-term programme to be set up by an existing bilateral working party.

The agreement foresees as possible areas of co-operation between the two countries the exchange of goods and services, the construction, extension and modernisation of industrial installations, links in the field of industrial and agricultural pro-

duction, trade in licences and know-how and joint efforts in research and development.

There is specific mention in the agreement of opportunities for small and medium-sized undertakings. The Italian state industrial holding company IRI has signed a five-year agreement with the Soviet Union in Moscow on scientific co-operation in energy production and engineering.

IRI subsidiaries Finmeccanica and Finisider are negotiating with the USSR for contracts to supply steel plants and equipment and for collaboration in the nuclear energy sector.

## Chrysler may build in Austria

BY PAUL LENDVAY

VIENNA, Jan. 22

THE HEAD of the holding company for Austrian nationalised industries, OIAG, Dr. Franz Geist, has confirmed that Austria is now engaged in serious negotiations with Chrysler, the U.S. motor company, about the creation of an assembling plant in Austria.

According to Press reports the plant would have a capacity of 100,000 cars per annum.

The current talks follow the failure of a much-publicised plan to produce a so-called "Austro-Porsche" limousine under German licence. According to the original plans, Austria would have turned out 50,000 units by 1983. However, the lack of a proper service and marketing

network and the reluctance of the German side to allow the use of the Porsche brand name proved to be unsurmountable obstacles.

Later, Dr. Geist also conducted apparently abortive talks with Mitsubishi, the Japanese motor company, about the same time.

However, Dr. Geist refused to reveal any further details about other potential partners and financial backing. Meanwhile, the car plans, personally favoured by Chancellor Bruno Kreisky, would seem to have been shelved for the time being. Dr. Geist, 67, who heads OIAG since 1971, will have his contract prolonged for one

or two years. He was scheduled to retire on March 31, this year. Dr. Geist confirmed that OIAG will acquire a minority interest in the production subsidiary to be erected by the French motor company Renault at Gleisdorf in the province of Styria.

For the time being the plant will produce only six component parts, providing jobs for 300 people. The French firm will hold 51 per cent of the Sch 20m. capital.

The leading Austrian bank Creditanstalt and the Elsassische Bank will each have a holding of 13 per cent. It is rumoured that the holding company for the nationalised industries will acquire the rest of the capital.

## Jenkins backs North-South talks

BY LORNE BARLING

KHARTOUM, Jan. 22

MR. ROY JENKINS, president of the EEC Commission, put new life into the North-South dialogue with a warning that world stability depended on mutual support between the developed and developing countries.

Mr. Jenkins, speaking here at the opening of the Khartoum International Trade Fair, said he had expressed these views to President Carter during their discussions in Brussels two weeks ago and made it clear that progress on the issue must be made this year.

The Sudan he said, had a vital role to play in this regard during its forthcoming term as chairman of the Organisation of African Unity.

His comments came at a time when both the EEC and Lome Convention countries are working out their positions for the

negotiation of the Agreement on the Trade and Development of the world as a whole."

Mr. Jenkins said the Paris North-South dialogue, nevertheless, was useful in some ways and should continue. "We are prepared to make the effort in terms of will and of adjustment of our interest. But progress must be made soon. The momentum must not be lost," he said.

The immediate advantage of the Lome Convention, which includes African, Caribbean and Pacific countries, was its adaptability and the basis of mutual interest which had evolved.

"The mutual support of the industrialised and developing nations is an absolute prerequisite for the political and social

stability of the world as a whole."

"The stability of world trade is delicately poised. The problems could help provide the impulse to tilt the world economy in the right direction. This seemed to indicate that in the Lome negotiations the Commission have made a decision which will ease the import burden on the more depressed industries in EEC countries."

The areas of future co-operation within the Convention are seen by Mr. Jenkins in six categories. These are agricultural and food production, medium sized industries to use local raw materials (which has held up past development), energy (with an emphasis on solar power) and finally the serious African problem of desert encroachment.

## Chinese to attend Indian trade fair

BY K. K. SHARMA

NEW DELHI, Jan. 22

A FIVE-MEMBER delegation from China is to visit the Indian Engineering Trade Fair beginning here on February 1 for a fortnight. The Chinese are on a buying mission for the first time since the 1962 border war.

The Chinese delegates represent the Light Industrial Production Corporation, the Import and Export Corporation, the Metals and Minerals Corporation, the Machinery Import and Export Corporation and the Technical Import Corporation, which suggests the Chinese are interested in importing both engineering goods and technology from India.

India's state trade organisation, the Indian Trade Fair Corporation, is expected to have a number of Canton fair a couple of months ago and the Chinese have reciprocated very much in the manner in which they have responded to

political feelers which led to renewed diplomatic relations at ambassadorial level and cultural exchanges. A trade delegation is considered more significant.

The fair is being organised by the Association of Indian Engineering Industries, which proposes to make it a regular feature in the hope that it will not only provide a show-window for the country's growing sophistication in engineering goods but also a forum for business exchanges. It is hoped that at least Rs.500m. (about \$20m.) worth of orders will be placed.

About 200 Indian engineering companies will display their products and capability to project technology developed in India which, the association feels, is particularly suited to the needs of third-world countries which

have not reached the stage of sophisticated Western know-how. Prime contractors from Western countries are also attending to determine the scope for farming out subcontracts to Indian engineering companies. Such deals have already been achieved in the Middle East and African countries, particularly for jobs that require labour-intensive skills or technology that the West no longer considers economical.

Of India's total exports worth Rs.49bn. in 1976-77, engineering exports accounted for Rs.5.5bn. or 11 per cent, compared with just 7 per cent in 1973-74.

Official talks are underway here between the EEC and a delegation from the EEC on implementation of the \$50m. trade and aid agreement signed between the two parties last year.

It exempts Jordanian industrial products from customs duties in EEC countries, and agricultural exports by Jordanian 30 and 50 per cent. The accord includes some \$24m. in EEC grants and \$26m. in credits from the European Investment Bank and soft loans.

U.S. radio decision

—The U.S. International Trade Commission (ITC), in a five-to-one decision, ruled that imports of transistors (Citizens Band) radios from Japan and other countries are injuring domestic producers. It will meet again next Friday to consider what import restrictions it will recommend to President Carter. Domestic producers are seeking an additional 50 per cent import duty on the radios. The current duty is about 6 per cent. Imports of these radios, primarily from Japan, totalled more than \$475m. in the first nine months of 1977.

## World Economic Indicators

INDUSTRIAL PRODUCTION 1970=100

	Nov. 77	Oct. 77	Sept. 77	Nov. 76	% change on year
France	127.0	122.0	126.0	128.0	-0.8
Italy	124.5	128.1	132.9	130.4	-4.7
W. Germany	125.3	120.5	116.3	122.9	+2.0
Holland	125.0	126.0	126.0	127.0	-1.6
U.K.	102.1	101.5	102.7	102.0	-0.9
U.S.	133.3	137.8	132.4	125.7	+4.8
Japan	130.2	129.2	128.0	126.7	+2.7
Belgium	118.2	108.7	76.1	122.5	-3.5

## Gen. Giap 'visited war zone'

By Richard Nations

BANGKOK, Jan. 22

VIETNAM'S veteran military strategist and Minister of Defence General Vo Nguyen Giap "recently" visited the south near the zone of Vietnam's continuing border war with Cambodia, Radio Hanoi reported today.

General Giap's visit is reported two days after Hanoi issued a statement that its patience is running out with the leadership in Phnom Penh, which they directly labelled as "reactionaries" for the first time last Friday.

Observers here note that General Giap's last visit to Ho Chi Minh city (Saigon) in September prepared by two weeks the first thrust of an eight-division combined invading force which struck into Cambodia in mid-October last year. Some think Giap's current trip may point to a similar intention on Hanoi's part to escalate the fighting inside Cambodia after meeting considerably stiffer resistance from Khmer Rouge units.

Reports of General Giap's trip also came the day after a high-level Chinese mission left Phnom Penh after a four-day visit designed to demonstrate Peking's diplomatic support for the Pol Pot regime.

Reuters reports from Peking: Mr. Raymond Barre, the French Prime Minister, left Peking to-night for north-east China. He was seen off by Vice-Premier Teng Hsiao-ping. Earlier he met Madame Teng Ying-chao, widow of Premier Zhou Enlai, who returned yesterday from Cambodia.

## Troop alert in Jakarta

JAKARTA, Jan. 22

ARMoured cars patrolled the streets of Jakarta today and troops marched through the city in response to a Government move to stamp out student opposition to President Suharto, ruler of Indonesia since 1966.

Several student leaders were reported to have been arrested during the night. Officials would not confirm the reports, but Indonesia's security chief, Admiral Sudomo, said recently people should not be surprised if arrests were made.

The security forces were put on alert amid fears that university students were planning anti-Government demonstrations this week-end. Two more newspapers were shut down today for reporting the campus unrest, seen by the Government as a threat to national stability.

## Italy's Communists want pact

BY DOMINICK J. COYLE

ROME, Jan. 22

ITALY'S powerful Communist Party (PCI) the second largest party in Parliament—today marked the 57th anniversary of its establishment by strongly reaffirming demands for direct participation in the next Italian government.

The alternative, according to a signed article in today's L'Unita party daily, written by one of the PCI's more moderate leaders, Sig. Giorgio Amendola, was for the Communists formerly to return to opposition in Parliament, implying a direct potentially damaging confrontation with the Christian Democrats (DC) who have ruled Italy for more than 30 years. This warning, which appears to allow little room for compromise is hardly a propitious opening to talks with Sig. Giulio Andreotti, Prime-Minister designate, which starts here to-morrow with the main emphasis on forming a new government.

Sig. Andreotti's minority administration resigned last week after Communists, Socialists and Republicans had withdrawn their tacit support for his Government. All three parties called for the creation of an emergency Government to include the Communists, in face of the country's deteriorating economic situation and the mounting violence in Italy's major cities.

While acknowledging that a resolution to the present crisis, Italy's 39th change of government since the fall of fascism in 1943—looks like being prolonged Christian Democratic sources claimed to-night that Sig. Andreotti's hard-line attitude should be seen as an attempt by the PCI leadership to reassure the party's rank and file militants on the occasion of its 57th anniversary.

Certainly, many PCI voters throughout the country have become utterly confused by the decision of the PCI leaders after the inconclusive 1976 general election effectively to maintain the minority Andreotti Government in office for 18 months

## Federal jury finds against Kodak

BY STEWART FLEMING

NEW YORK, Jan. 22

EASTMAN KODAK, the world's largest manufacturer of photographic products has used its technological dominance to monopolise much of the amateur photographic market, a Federal jury has found at the end of a \$300m. anti-trust action brought by Berkey Photos of New York.

Kodak said that it will appeal the findings. Although the court will not set the actual damages Kodak will be liable for under the decision until next month, the decision is nevertheless a serious blow for Kodak whose \$6bn. a year of sales make it one of the largest corporations in the country.

The jury found that Kodak monopolised sectors of the amateur photographic market including conventional amateur still cameras, colour film, colour print, paper, colour negative printers and photofinishing services equipment and chemicals. But it answered "no" to questions on whether Berkey had unlawfully charged that Kodak had unlawfully attempted to monopolise the market in colour print paper, amateur movie cameras and photofinishing.

Two other lawsuits, one filed by GAF Corporation and one by

Pavell Corporation have been awaiting the outcome of the Berkey case.

The trial was the first of four complaints filed against Kodak in 1973 the year after it introduced its instantamatic pocket cameras with new film size and chemistry.

One of the suits, by Bell and Howell was settled out of court in 1974 and provided for prior disclosure by Kodak before introducing new films that could affect producers of movie cameras or processing film.

Both GAF and Berkey have abandoned the small camera and film business since filing the suits.

The litigation Kodak has been engaged in, including the disclosure with Polaroid over Kodak's entry into 1976 into the instant camera market, has been one of the factors behind investors' disillusion with the company.

Once one of Wall Street's largest glamour stocks Kodak's shares, which hit a high of \$152 in 1973, have been among the worst performing shares of a major company on the stock market. Currently they have been trading around a 12-year low at \$48.

## Broad Arab view is that Sadat effort has failed

BY HSIAN HIJAZI

BEIRUT, Jan. 22

THERE IS a consensus in Arab quarters that President Anwar Sadat's peace initiative has failed, but views differed as to why he did not announce this in his speech before the Egyptian Parliament yesterday.

Anti-Sadat elements said that if he admitted failure he would have to fulfil the promise he had made earlier for resigning. "Sadat avoids backing down so he may not have to resign," the bannerline in the pro-Libyan As-Sadr newspaper today.

Mr. Majed Abou Sharar, the head of the unified information section of the Palestine Liberation Organisation, said Mr. Sadat is "marking time" and that Egypt's only alternative at present is to build up its armed forces.

The most educated analysts believe, however, that Mr. Sadat needs time to chart a new course for his Middle East policy, and express the Egyptian military command going to work on military plans for possible confrontation with the Israelis later this year.

The analysts doubt that Washington will meet President Sadat's request of providing him with the same quantity and quality of weapons it had supplied to Israel. Mr. Sadat said he

made such a request through the U.S. Secretary of State, Cyrus Vance.

Our Correspondent in Damascus reports: A meeting in Algiers of the Foreign Ministers of Syria and Iraq is expected to take place today. The meeting, towards which President Houari Boumedienne of Algeria has been working during his recent tour of the Middle East, aims to prepare an agenda for a summit meeting of the leaders of Syria and Iraq.

This would try to consolidate the "steadfastness front" which rejects President Sadat's peace initiatives but which is weakened by the refusal of Iraq to join it, principally because of its long-standing dispute with Syria.

Syrian official sources appeared to confirm the diplomats' reports by stating that it was important for Arab states to overcome marginal differences in view of "the present circumstances, and the plots of Sadat against the Arab nation."

Meanwhile the Syrian Parliament to-day approved unanimously the candidature of President Hafez Assad to the post of President of the Republic for a new mandate of seven years beginning March 12.

## New Saudi shipping line

By Ian Hargreaves, Shipping Correspondent

A SAUDI-ARABIAN shipping line has been formed with the intention of capturing for itself between 40 and 50 per cent of the country's rapidly growing seaborne trade.

Operating under the title of The National Saudi Shipping Lines (NASS), the company says it intends during the next two years to expand from its present base services between Europe and the Red Sea and the Persian Gulf to regular routes between Saudi Arabia and both the U.S. and the Far East.

Such an expansion would challenge the position of a number of major European and American cross-boarding shipping lines and would require a substantial growth in the NASS fleet. This would involve a mixture of chartering and new ships.

The company is already negotiating with Japanese shipyards for the supply of three container vessels, 400 TEU capacity for its Southern Europe-Red Sea service.

Mr. Manfred Riecke, a director of the Hamburg-based Unimar company, which is acting as adviser and ship manager to NASS, said the future fleet expansion would depend on the state of the charter market. With rates at their present slump levels, chartering was more attractive than new building.

NASS has operated in its first few months of life with a capital base of U.S.\$4m., but Mr. Riecke said in London that the company had authorised to increase this to \$120m. for the first phase of ship purchases.

The owner of the company is the Al-Qurashi family, which has powerful connections in the Saudi industrial and economic establishment. The Al-Qurashis say the operation of their shipping line will not be entirely commercial, but that it will aim to contribute to the national high against inflation by holding down shipping rates from Saudi ports.

This statement comes less than a month after container lines on the U.K.-to-Jeddah service announced that the would be enforcing minimum charges in an attempt to prevent any further pressures of their margins.

## Air traffic increase

By Lynne McLean, Industrial & TOTAL SCHEDULED traffic on world airlines in 1977 was 8 per cent, above the 1976 level. While this was below the 10 per cent growth rate recorded in



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# The Executive's and Office World

How the DHSS utilised the ingenuity of its employees

## Scheme that saved millions

A MAJOR Government department has given a new twist to that traditional employee participation standby, the staff suggestion scheme. The Department of Health and Social Security, with over 90,000 staff all the headquarters' instructions scattered throughout the U.K., has just concluded the first stage of a scheme which has produced several millions of pounds in cost savings and greatly simplified the complex web of social security procedures.

Instead of the basic civil service staff suggestion scheme, which attracted interest in the DHSS from only a small percentage of staff, the Department decided that a more effective catalyst was needed to focus staff's attentions on the very real problems associated with the fast growing bureaucracy. So complexities of procedures. Any

many instructions and procedures have been formulated to deal with the growth of social security legislation in the 1970s, that a very large cupboard is needed in each office to house all the headquarters' instructions.

Consequently, in 1973, the Department set up a joint union and management working party aimed at utilising staff ideas on how to reduce the plethora of paperwork. Unlike the staff suggestion scheme, however, the working party did not offer financial rewards for ideas.

cost savings that followed were an extra bonus.

According to a departmental report on the project "the working party can claim to have simplified departmental procedures, to have eased the work burden, to have achieved economies, to have brought about greater staff participation, and to have given the taxpayer better value and the citizen a better service."

The report adds: "It has done these things, not by the construction of a grand design, not by super-planning, but by seek-

ing, and making use of the thoughts of its staff."

The impetus for taking this action stemmed from the sinking morale in the Department in the early 1970s, and which led to the first ever civil service strike in the DHSS in 1972. Simplifying work procedures was seen as one of a number of ways of improving morale.

Staff views were collected in three ways. A general circular was sent to all staff inviting their views on simplifying the administration of social security. Then the civil service

unions were asked for their views after consulting members. And, finally, the working party worked through the formal hierarchy.

Regional controllers were asked to put forward views on the areas of the system which were most likely to reap early rewards. At the same time Whitehall officials examined how central control of the regional office network could be relaxed.

About 8,000 suggestions were submitted to the working party but many were duplicated. The

ideas were whittled down to 620 separate ideas which merited serious consideration and of these, about 200 have been adopted and some 70 are still being examined. Ideas came roughly half and half from management and staff.

A "management" suggestion, for example, has saved about 30,000 man days a year by re-placing the procedure under which social security claimants were paid with a combination of supplementary benefit and rent rebate, to one of just the benefit alone.

A scheme which was suggested by 10 separate staff employed as far apart as Penzance and North Shields resulted in a change in time limits for claiming maternity benefits. Instead of two different limits, one common time limit for both the grant and allowance has saved 6,167 hours of staff time, 183,000 forms and franked labels, valued at nearly £25,000 annually.

The project was not primarily aimed at cutting staff costs but those people whose ideas produced substantial savings were rewarded as a percentage of money saved on the same scale as applied to the suggestion scheme. Of the 200 ideas adopted, some 60 were referred for awards. These 60 produced quantifiable savings of £380,000 in the first year alone and, of the remaining 140, for which

cost savings cannot be quantified, one idea alone is saving £300,000 a year. The total annual savings from the project is estimated at several millions of pounds.

Although the working party completed the first stage of its report earlier this year, the success of the project has meant that it is remaining in operation. But now, instead of the general approach, it is concentrating on specific improvements in problem areas.

Meanwhile, the traditional staff suggestion scheme has itself benefited since officials report that a steady improvement in both the numbers and quality of staff suggestions has taken place concurrently with the new scheme.

David Churchill

### EXECUTIVE HEALTH

BY DR. DAVID CARRICK

## The chigger may be irritating, but it's nothing to be ashamed of

HOWEVER long one practises medicine, surprising incidents still happen and so enliven the prosaic path of physics.

Sometimes these take the form of unexpected successes: more often of frustrating failure. And no branch of the art provides a richer crop of weeds—interspersed with rare flowers—than dermatology, where nature seems to triumph either with or despite our help.

It was in this field that I encountered a unique surprise not so very long ago. The patient was a most comely damsel who complained of severe itching on her legs. Certainly she had spots and scratches which marred those lissom limbs. I was tempted to tell her she was suffering from an exoriated, erythematous, maculopapular eruption of idiopathic origin—which would have been true as that high-falutin' prattle only means that she had red spots which she had scratched and that I had no idea of the cause.

Being stupidly honest, I did not; instead I followed the technique of my old teacher, and gazed at the things through a magnifying glass. Then it was that I received a shock: the spot I was concentrating on suddenly got up and ambled off!

Thus, by sheer luck, I had the diagnosis. The girl had been invaded by chiggers, or harvest mites, which although usually attached to small quadrupeds,



ters) which had left one of his dogs or cats to taste the good life.

As a general rule, each species has its own fleas, and only in times of dire distress (as when the host dies) do they make do with foreign food until they can get a lift on a suitable quadruped. Recently, however, there seems to have been a change. Dog and cat fleas are increasing and taking great delight in humans. They are able to live in carpets (even in the edges of fitted-carpet beyond the reach of some vacuum cleaners) and other materials and recesses including, one might suppose, seats in trains which do not always seem to receive maintenance treatment of a high order.

Fortunately the fleas seldom stay long with their unusual hosts because they cannot breed in alien lands and do not care to be sterile lotus-eaters. DDT is no longer generally available but various powders and sprays are readily available to end their tiny lives. Their bites can be treated with anti-itching creams and ointments and, save in very rare circumstances, they are only vexing, not dangerous.

But I do wish that people would not regard them as shameful. Like microbes, they respect neither colour nor creed; the rich or the poor; the fat or the thin. The one major difference is that they are visible and more irritating and, in this country, as opposed to the rumbustious, scratching, 17th- and 18th-centuries, quite pillars: nightmares for composit-

will make do with humans. I told the girl and she was horrified and insulted. She said that "only dirty people caught things," and was only convinced when I showed her my prize under a microscope.

This made her no happier, and she asked how on earth could she catch such "beastly creatures?" Somewhat tactlessly I asked whether she had been in the long grass recently. "Certainly not!" she snapped, blushing. "What do you take me for?"

Eventually we settled for her fiancée's cat having transmitted the mites from the fields to her fair legs. However, she was still

much disturbed and asked me to promise "not to tell Daddy," who is something remarkably important in the City—or so he tells me.

Naturally I assured her, but hid the fact that I now had two secrets to keep in one family. You see, one week before, I had the difficult task of telling her "daddy" that his spots were due to fleas, and had also been sworn to absolute secrecy!

Treating the girl was easy: the father's problem was greater. He had not been attacked by the human flea (Pulex irritans) but by Ctenocephalides canis or felis (marvellous words for crossword compilers: nightmares for composit-

### Costly vacancy filling

THE CONSIDERABLE costs involved in a high labour turnover within a company are highlighted in a revised version of BIM Management Checklist a British Institute of Management checklist on the costs and procedures involved in filling vacancies. It cites as an example Parker Street, London, WC2, 20p the fact that a 30 per cent annual turnover on a wage bill of £2m. adds an extra £120,000 to labour costs. The checklist gives sources of advice on cost-effective recruitment.

Lighted in a revised version of BIM Management Checklist No. 8: Filling a Vacancy. Available from BIM Publications Department, Management House, 20p the fact that a 30 per cent annual turnover on a wage bill of £2m. adds an extra £120,000 to labour costs.

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—while you are in normal health. Many people delay making a will, or adding a codicil, until ill-health comes. Problems are often created as a result of inadequate consideration under pressure of anxiety.

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Free: a helpful booklet "Making a Will." It clarifies every aspect you need to consider, including the considerable tax savings possible now that up to £100,000 can be left to charity free of all taxes. Written in everyday language, with skilled legal advice, it is a useful guide to read before visiting your solicitor.

Send to: The Hon. Treasurer, The Rt. Hon. Lord Maybray-King, Help the Aged, Room FT9L, 32 Dover Street, London W1A 2AP. Telephone (01) 499 0972.

## Insight into salary surveys

By Nicholas Leslie

ONE OF the disadvantages of executive salary and benefits surveys is that there are so many of them. They tend to use different bases and are not presented in a common format—which makes it difficult for those whose job it is to monitor developments in this area to assess which surveys are going to be of most use to them.

Some light is shed on this problem by a new "Guide to Salary Surveys 1977," which is published by Incomes Data Services. It embraces 40 U.K. and 16 international salary surveys covering executive, professional, technical and clerical

staff in both commerce and industry. In all, surveys produced by 39 different organisations are covered, including most of the major ones. While this covers a good range, it is not totally comprehensive—which is itself a measure of the difficulty of establishing how useful these surveys are.

As the publication itself states, no formal evaluation is made of each survey, but those covering the U.K. are commented upon in order to provide some indication of their validity and reliability.

The guide deals with surveys under different headings, including accountants, advertising, architects, banking, biologists, catering, chemists, computer staff, engineers, insurance, office staff, and other professional and executive people. The biggest section deals with management surveys and those afforded more favourable comment include the British Institute of Management's National Management Survey, 1977; Inbacon-AIC's Survey of Executive Salaries and Fringe Benefits, 1977; and Hay-MSL's

Report and Salary Policy Guide for Management, 1977.

Country by country surveys cover Austria, Denmark, France, the Irish Republic, the Netherlands, Norway, Spain, Sweden, Switzerland, and West Germany. There is also a section dealing with "club surveys." These are carried out privately by companies to determine market rates for a number of key, or benchmark, jobs. Four of these are covered—Kodak, Ford Motor Company, Pedigree Pet Foods, and Rank Xerox. Guide to Salary Surveys 1977, published by Incomes Data Services, 140 Great Portland Street, London, W1, price £1.50 (available to subscribers only).

## Keeping surprises out of business

TO ENABLE valid comparisons to be made between constituent companies within a group for the purpose of allocating resources it is necessary to apply common assumptions on economic and other factors. But at the same time the uncertainty of such assumptions must be measured, to enable prudent provision to be made for the unexpected.

This was the view put forward last week by Mr. W. J. Chandler, director of planning at Reed International, the paper and industrial group which also takes in the International Publishing Corporation. Speaking at a Society for Long Range Planning seminar, he commented that it was not possible to stop the turbulence in the

environment, but "in managing our business we should try to be as surprise free as possible."

Mr. Chandler told the seminar that Reed, when initiating its planning approach, had to provide common assumptions in order to secure consistency of approach. This was not because it was believed that any particular forecaster was accurate but the whole approach to planning was to allocate a limited resource among a wide range of

different businesses. Indeed, later in his talk he said that in assessing the implications of certain forecasts "we found that there appeared to be little difference between the impact upon our results notwithstanding that they were far from identical."

But that was not to be proposed as a general rule; clearly different forecasts had to be tested against their impact upon the corporation and an

examination made of those which threw up major changes in profitability.

Mr. Chandler said that in drawing up its plans Reed used models dealing with eight major economies around the world within which it operated and also linked its products to demand in those countries. The second process was the more difficult and he warned of the dangers of regression analysis in trying to model how products reacted to changes in demand. "We all know the nonsense that can be generated by forecasting purely on the basis of a high correlation between two time series," he said.

Nicholas Leslie

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# Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHÖETTERS

## PROCESSING

### Ultra-pure water in delicate operations

PRODUCTION of complex electronic components involving many chemical processing steps is very highly dependent, for success, on the degree of chemical cleanliness maintained throughout.

Successive rinsing to remove contaminants must be made with water of the highest purity since any trace of dissolved solids deposited across a semiconductor chip, or of bacterial contamination, could very easily alter the pattern of interconnections finer than a human hair laid down on the circuit material and thus result in a very high device rejection rate which would make the whole process uneconomical.

At the IIT semiconductor plant at Sidcup, Kent, a decision has been taken to double plant capacity for high purity water and the contract for the required plant has gone to Houseman (Burnham), part of the £45m. a year Portals Water Treatment Group.

Equipment for Sidcup has been chosen to provide the required level of purity, described as 18 Megohms, without incurring too heavy a penalty in regenerant and effluent disposal costs.

First step in processing is pre-treatment before reverse osmosis using a softening plant from the company's standard lines. This fully automatic equipment prevents fouling of the reverse osmosis membranes by precipitated hardness salts.

Regeneration in the softeners is controlled by sensors which means there will be no carryover above set limits into the reverse

## Metallising plastics

DEVELOPED IN Japan by Tokuda (part of the Toshiba Organisation) is a method of vacuum depositing chromium or stainless steel coatings on plastic components.

Called high rate closed field sputtering, the process will deposit almost any metal on to most plastics or glass substrates in a floor-to-floor time of 12 minutes, it is claimed. Chamber sizes available are up to 1.4 metres diameter by 2.2 metres high.

Components are rotated on a planetary jig system, and typically a 0.05 micron coating is achieved in two minutes without any appreciable increase in temperature of the component.

## PERIPHERALS

### Innovation from small companies

PARTICULARLY striking about the U.S. minicomputer, small systems, and peripherals scene is the high degree of technological expertise displayed by companies of small size and limited market power.

One example of this is to be found in Alpha Data, a new mass memory technology company, represented in the U.K. by Sintrom Electronics, which is exhibiting at the U.S. Trade Centre Mini Micro 78 show this week.

Alpha Data had two new products on display, a CCD mass memory, and a head per track disc memory. The first, the CODISC is a charge coupled device system which has been so configured that it looks to the user like a very fast—20 to 30 times faster—disc system, and which can be run without operating system software changes.

It has no moving parts, comes with a range of interfaces which among other things enables it to emulate other manufacturers' rotating disc memories, and will stand up to a wide range of environmental conditions in which disc devices could not be used. It is the sort of system that could end up being used as an on-line memory in distributed processing environments, where rapid access is required.

The Model Eighty mass memory head per track magnetic disc system is the latest in the Alpha Data series of disc devices. It is currently being evaluated by DEC. It comes in one or two sizes, and begins at 18mbit. Bits per track are a nominal 150,000, with, at the maximum, 64mbit on 512 tracks. With this sort of system data rates are around 80mb, with an average access time depending on requirement ranging from 8.5 to 20.3 milliseconds.

Also in this area, Storage Technology Corporation, which supplied storage devices to Burroughs under an OEM contract and is best known as a supplier of standard tape and disc devices, indicates that it shortly expects to open a U.K. office.

In announcing an order from Barclays Bank International for its "Non Stop 16" computing system on which Barclays will develop a real time system in the foreign exchange dealing room, Tandem also disclosed the establishment of a wholly owned U.K. subsidiary.

The Tandem system has had much publicity in the States and has caused much argument. It is very much a modular construction system designed for on line environments.

## COMPUTING

### Easy check on signatures

FOLLOWING success with small banks and financial institutions with a miniature but fully controlled video terminal, Informer has added facilities such as signature capture and retrieval.

and provides them on an IBM compatible system. The display shows signatures, as well as the usual account data.

Traditionally banks, building societies and investment companies must verify signatures, and this has previously been done by posting either the original authorisation (copied, or stored on microfilm, etc.) to branches, or posting the payment document (bill, cheque, etc.) to the branch holding the account.

By storing the signature on disc along with details of the customer's account and making this available to all branches, over their usual on-line data transmission channels, reducing in handling costs, and also, since the teller

always uses the original authorisation, the level of security is greatly increased over that provided by guarantee cards, pass books, etc.

The signature terminal, made by Informer Inc., which has representatives in all European countries, weighs only 22 kg. It consists of a special pedestal mounted monitor on a small of up to 3 or 4 consoles per control unit, with "daisy chain" expansion so that up to 32 control units can operate independently, using polling techniques, from one computer or modem port.

Where the bank's operating system cannot accommodate signatures, Informer will supply a system working on signatures only with full processing and storage capacity, using existing files of names, addresses and account numbers.

Informers, 1, Nursery Close, The Meadows, Amsterdam, The Netherlands. Tel: 020 403 4122.

### Accurate data recording

SOUTHWARK Computer Services for reading and conversion into a magnetic tape record.

Prior to optical scanning, however, there is a thorough proof-reading for literals and the company claims an overall error rate of less than 0.05 per cent.

Further on this DataScan service from Southwark at Granby House, 95, Southwark Street, London SE1 0JA. Tel: 01-928 2711.

## COMPONENTS

### Small motor is flexible

A NEW fractional horsepower brushless motor has an "envelope" speed/torque characteristic which is a straight line from no load to starting torque at a slope which can be specified to satisfy particular application requirements.

Depending upon the load torque applied, the speed can be continuously variable or change in pre-determined steps over a nominal speed range of 10:1. The accuracy of speed control is better than  $\pm 1$  per cent, and is independent of load torque variations, within the envelope, or input voltage fluctuations in the range  $\pm 20$  per cent.

Other types in the Walker Jones "S" series are permanent magnet synchronous, induction and ac servo and all types are available with a choice of flanges, shaft lengths and types, and with sleeve or ball-bearing bearings. Other variables, such as lead length and operating voltage can be readily accommodated.

They will be shown at IEA Electrex 1978, NEC, Birmingham from March 13-17.

More information is available from Walker Jones and Company (Engineers), Newlands Park, Sydenham, London, SE26 5NG. Tel: 01-698 1511.

## CONFERENCE

### Electric vehicles

IN MAY, Sheffield will be invaded by a fleet of electric buses, personnel carriers and delivery vans. They will be running between the station, local airports, hotels and the Cutlers' Hall, to demonstrate the role of electric road vehicles in and around a major city.

The demonstration will be part of an international conference entitled "The economic use of electric road vehicles in a changing environment," being organised by the Electric Vehicle Development Group. The Group is being constituted as a non-profit making company and has a membership of companies, organisations and local authorities interested in the development and use of high performance electric road vehicles.

The conference, which will be held at the Cutlers' Hall, Sheffield, May 23 to 24, will cover many aspects of operating electric vehicles. Details from the Group at 59, Colebrook Row, London N1 8AF (01-359 7352).

### Guidelines to go into Fascia

FOLLOWING THE receipt of contracts worth over £100,000 since the release of the Mark II version of the Fascia Asset Control System, FASCIA RYZ Computer Services has held a first Fascia Users' Conference.

Attended by 50 delegates representing 32 companies, the conference heard a summary of the Fixed Guidelines in relation to fixed assets and to discuss the ways in which RYZCS could incorporate these into Fascia.

Present methods of handling inflation accounting were also covered and discussions on areas for the future development of Fascia, including a Mark III version followed.

Agreement was reached that working parties on particular areas should be set up to define the requirements in detail.

More from the company at 103, Jermyn Street, London, SW1Y 6EB. Tel: 01-930 4163.

### Reliable power transistors

TWO NEW power transistor families announced by Mullard incorporate a number of novel design points to provide extra reliability.

BDW55 and BDW56 families are the products of a development programme in which emphasis has been laid on reliability under "hard working" conditions. As a result, many sectors of the design are unusual and a great deal more precious metal is used than is normally found in devices produced on a massive scale.

The first of the exceptions is the use of Ti-Pt-Au metallisation on the crystal face. Gold wire is used to connect this metallisation to the gold-plated comb using wedge-bonding techniques. This bonding is extremely reliable because no intermetallic compounds can be formed and so contribute to

eventual failure. This technique gives an improvement in bond failure rate of several orders of magnitude.

Another problem area, the crystal-to-comb union, has been dealt with by using a gold pellet and a gold-silicon eutectic solder. Excellent results have been obtained during life tests even under the most rigorous conditions. For instance, power cycling of 1.5W in free air produces no deterioration even after 500,000 cycles.

Electromigration has been investigated with this new construction, but continuous tests for up to 10,000 hours at twice the device's specified current rating have shown no detectable migration.

Additional features are mechanically and electrically rugged construction coupled with 100 per cent pre-encapsulation inspection.

Life tests show that good stability is obtained for at least 10,000 hours of continuous operation for all parameters under reduced and maximum test conditions.

More from Mullard at Mullard House, Torrington Place, London WC1E 7HD. Tel: 01-580 6633.

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## FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4A 3DF  
 Telegrams: Finantime, London FSA. Telex: 366341/2, 843397  
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Monday January 23 1978

Tokyo Round  
in top gear

WELL OVER four years since they were officially opened in Tokyo, the latest round of world trade negotiations in GATT are finally moving into top gear. The decisive final phase of the talks opens in Geneva to-day with the tabling of the American negotiating offer and a high-level meeting to be attended by the chief negotiators of the three major participants—the U.S., the EEC and Japan. Following the presentation of the Community and Japanese offers last week, all the most important negotiating cards are now on the table.

## Protectionism

The success of the Tokyo Round, however, is still far from assured. The climax of the negotiations comes at a time when the prevailing international trend is towards protectionism rather than trade liberalisation. It is not just that vulnerable industries and those employed in them are screaming for protective action by their Governments. Many Governments have gone some way towards yielding to these pressures—the international steel trade is being organised to restrain the full play of market forces and the EEC has imposed tough new limits on textiles imports—while all round the world individual Governments are introducing new restrictions. GATT has drawn the tentative conclusion that since 1974 between 3 and 5 per cent of world trade (some \$30bn. to \$50bn.) has been affected by such measures.

It is precisely for this reason that the Tokyo Round is so important. A failure in Geneva would signal to all those arguing for further protectionism that the West's leading Governments had lost the will to pursue the cause of freer trade and open the way for a return to the beggar-my-neighbour policies of the 1930s. And yet it is obviously not going to be easy for Governments to make major public commitments to trade liberalisation in the present climate. Now, it may not arise again for France, for example, is most

## Investment

That is why it is so vital that the talks should succeed. It is not simply a question of warding off short-term protectionist pressures. If the investment needed to pull the world out of recession is to be forthcoming, the international business community must be reassured that markets will remain open in the years ahead. It must also be left in no doubt that there is no avoiding the major restructuring of Western industry that will be imposed by the development of the Third World between now and the end of the century. The coming year in Geneva will be crucial. If the opportunity is missed now, it may not arise again for a very long time.

## A subsidy to be questioned

THE GOVERNMENT would be specifically provides for measures to pay more attention to the criticisms that have been levelled at the Temporary Employment Subsidy than the Prime Minister seemed prepared to accept when answering questions in the Commons last week about the European Commission's attitude to the scheme. Whatever merits the subsidy may have had when it was introduced 23 years ago have been severely eroded by the many modifications the scheme has since undergone.

## Rate doubled

As originally conceived, TES could be regarded as a relatively cheap way of keeping people off the unemployment register and of preserving industrial capacity pending an upturn in demand. It was paid at the rate of £10 a week for each full-time worker for a maximum of three months, with the possibility of an extension for a further three months, to firms in the assisted areas who faced the prospect of having to make 50 or more workers redundant in the period between August 1975 and August 1976. Depending upon the earnings of those whose jobs would be saved, the flowback to the Exchequer in the form of tax and national insurance contributions and savings in unemployment benefit would reduce the net cost to relatively very little.

Since then the normal rate of payment has been doubled to £20 a week; the maximum period of payment has been extended from 12 months and then to 18 months (with a supplementary rate of subsidy of £10 a week during the final six months); the scheme's coverage has been extended to the whole of Great Britain; the redundancy threshold has been reduced from a minimum of 50 workers, to 25, and then to ten; and the validity of the scheme has been extended in successive stages to March 1978, with final payments now due in March 1979. In short, the scheme—fewer than 5 per cent of all applications are turned down—has been allowed to degenerate into something much more akin to a semi-permanent employment or production subsidy.

This is one aspect which has concerned the Commission in Brussels. The Treaty of Rome

The oil majors may be sowing the seed of future problems as they try to deal with their present difficulties. Ray Dafter reports.

A glut of oil  
refining in  
Western Europe

THE SAD results of the West German subsidiaries of British Petroleum and Shell published in the past week have pointed again at the parlous state of the oil refining market in Western Europe as a whole. Deutsche BP's balance sheet losses reached DM124m. (about £31m.) last year, almost double the deficit of 1976. Deutsche Shell suffered an even greater setback: it lost DM400m. (about £100m.) on its oil business as against DM186m. in 1976.

The figures reflect the continuing glut of oil products, severe production overcapacity and intense competition in the market place. They will also reinforce the EEC Commission's renewed attempt to bring more order to the industry by encouraging a cut-back in the present refining capacity.

Shrugging off repeated rebuffs from EEC Energy Ministers last year, the Commission will present a new formula to the planned Energy Council meeting in March. The Commission wants EEC Governments to tackle the problem by calling a halt to new construction and by taking less efficient refineries out of service.

Under pressure from five major European oil companies—CIP and Elf-Aquitaine in France, ENI (Italy), Petrofina Shell, Esso and others that no new basic capacity can be justified before the mid-1980s. This does not mean, however, that there will be no rationalisation. Commercial forces are already taking a hand in this. Last week Mr. Hellmuth Eudenberg, managing board chairman of Deutsche BP pointed out that the average loss per tonne of oil sold in Germany was DM17 and he repeated an earlier Esso war-

ing that refineries would be shut unless prices were increased and market conditions improved. The accumulated industry losses on oil sales by the German industry as a whole over the past three years had amounted to DM6bn., he said.

A good deal of refinery capacity has been taken out of service already, probably over 10 per cent in Europe as a whole. A recent report by brokers Fielding, Newson-Smith shows how deeply the economic recession and energy conserva-

tion measures have cut into refinery operations. The figures, reproduced here, show that against the total amount of capacity installed at the end of 1976, plant utilisation has fallen well below the two-thirds mark in many instances. The export-orientated Italian refineries have been particularly badly hit.

## REFINERY UTILISATION

	U.S.	Japan	W. Europe*	U.K.	W. Germany	France	Italy
Capacity	16.45m.	5.35m.	18.41m.	3.62m.	3.12m.	3.48m.	4.46m.
1974	85	84	72	76	72	78	62
1975	84	74	58	64	59	62	44
1976 Q1	84	82	62	65	60	75	49
Q2	86	77	61	65	62	66	48
Q3	90	74	64	62	69	72	51
Q4	91	83	68	70	69	74	53
1977 Q1	87	83	66	65	67	75	52
Q2	88	78	58	62	62	62	47
Q3	90	78	n/a	59	66	68	47

\* Belgium, France, Italy, Netherlands, Spain, U.K., W. Germany.

Source: Fielding, Newson-Smith and Co.

tion measures have cut into refinery operations. The figures, reproduced here, show that against the total amount of capacity installed at the end of 1976, plant utilisation has fallen well below the two-thirds mark in many instances. The export-orientated Italian refineries have been particularly badly hit.

The fact that these statistics do not square with the latest figures emanating from national refinery industries is a reflection of the amount of equipment which has been mothballed, taken out of service for prolonged maintenance or simply closed for good.

In the U.K., for instance, it is estimated that last year refineries were operated at 123.5m. tonnes a year as opposed to a nominal capacity of 145.6m. tonnes a year. Esso has taken out of service some 7.4m. tonnes of its 34.7m. tonnes a year capacity; BP's Llandarcy refinery near Swansea is now being operated as a 5m. tonnes a year unit with 3m. tonnes of capacity temporarily shut down. And at Stanlow in Cheshire, 5m. tonnes of capacity has been put on standby, reducing Shell's avail-

able capacity there to 14m. tonnes a year.

The same is happening elsewhere in Europe. In France Elf-Aquitaine says it is operating at a comfortable 85 to 90 per cent of capacity only because it has shut down a 2.5m. tonnes a year plant at Ambes. In Germany, Wolfgang Oehme, a chairman of Esso AG said that the company would decide in the next few weeks which supply and demand equation.

To take the first point, the general surplus of primary distillation capacity, companies are operating their cracking units close to optimum levels. With basic fuel oil selling at around \$70 a tonne and petrol fetching nearer \$140 a tonne there is a clear incentive for producing the lighter products, the demand for which is holding up more strongly than for the rest of refinery output.

However, what happens when, in the early 1980s, all of the cracking facilities are on stream? And what happens if there is a sudden, unexpected surge in demand for heavy fuel oil? This prospect cannot be discounted, certainly in the U.K. for if the coal industry fails to meet its target for increased production (and the signs are not encouraging) fuel oil might well become more eagerly sought after. At the moment, petrol has a two-to-one advantage over fuel oil in pricing terms. Oil companies believe that so long as the advantage does not slip below 1.5-to-one they can justify their investment in cracking plants. Below that and they may be forced to shut down units.

This leads to the second complicating factor. No one is sure how much the European products market will be used by imports, from the Middle East and the Mediterranean countries in particular. An EEC Commission report, published last year, showed that present refinery capacity in these two regions was 160m. tonnes a year. This refinery base might be expanded to between 260m. and 370m. tonnes a year in a few years. Although the requirements of the U.S. and Japan might rise there was little doubt that increasing quantities of product exports would be directed towards the Community market, the report said.

Surprisingly, the Community has made little play of what many would regard as a bonus. Consumers are currently benefiting from relatively cheap products. In Britain the price of four-star petrol has fallen in the past year from an average 78p a gallon to 75.8p a gallon in spite of a notional 2p-a-gallon rise last spring. West Germany a favourite country for small traders dealing in spot lots of products, vies with Britain as one of the lowest-priced petroleum markets in Europe.

It is questionable whether a climate of cheap product price is advisable in the light of the need to conserve energy resources. At the moment the modifications make sense. In spite of

The Amoro refinery at Millford.

EXISTING AND FORECAST REFINING  
CAPACITY SURPLUS IN THE EEC

(Assuming no EEC intervention)

	1973	1974	1975	1976	1977
Inland consumption	516	480	442	416	377
Exports	38	47	31	37	—
Imports	53	47	31	37	—
Net exports	30	35	39	—	—
Refinery own-use/loss	23	12	—	—	—
Crude oil requirement	610	556	499	392	—
Nominal capacity (mid year)	770	815	850	880	—
Utilisation ratio of nominal capacity	80%	70%	60%	47%	—
Spare capacity at maximum utilisation 85% (average '63/'73)	45	135	221	160	—

Source: EEC

## MEN AND MATTERS

Love, hate—and  
American Rules

No sooner had Washington got over the spectacle of seeing Richard Nixon back in town and in the limelight alongside Gerald Ford, Jimmy Carter and the memory of Hubert Humphrey than it learned of the professional demise of another man whom, in recent years, it has learnt to love and hate.

That man is George Allen, coach of Washington's favourite American Rules football team, the Redskins, since 1971. Allen was sacked following a contractual dispute with the team's owners, the last and for Washingtonians most traumatic removal in a long series of purges which have characterised the sport this season.

Last season nearly half the coaches of the 28 league teams have been fired, which makes the job of coaching a professional American Rules football side one of the most insecure jobs in the whole of the United States these days.

Redskin-following Washingtonians loved Allen for the great American reason that he was a success. Apart from a brief moment of glory under the late, lamented and now virtually defunct super-coach Vince Lombardi, the Redskins lost many more games than they won—until Allen took over seven years ago.

Allen dredged up ageing players from the football scrapheap, whipped them to a high pitch of tension every week by highly controversial means akin to psychological warfare and never had a losing season as a result. But the Redskins never actually won the coveted "super bowl" and Allen made many enemies by treating all the new players who questioned his methods



"I do not think Morecambe and Wise have anything to worry about."

BBC complimented him on his valour.

It all looks like a welcome move in the direction of more open broadcasting. Last July, McIntyre was so infuriated by leaks of programme changes that he threatened to cancel the revised schedules in revenge.

Meanwhile, commercial radio is beginning to show an almost embarrassing level of profits. Most of the new stations are now in the black, while Radio 4, which collars the lion's share of radio money, seems to be running short. If you want to know why you will soon be able to ask.

## Home-spun fares...

President Carter is a great believer in the need to clarify bureaucratic language. His Administration has just made a significant contribution towards this end in its explanation of disallowing the cost of first-class

air fares as a tax deduction. It runs as follows: "The proposal would make the tax system fairer. For most people, first-class air fare is a luxury. Present law requires the many taxpayers who cannot afford first-class fare for themselves, to subsidise such travel by others. The additional personal comfort provided by first-class accommodations is not necessary for the conduct of business. Both ends of the plane arrive at the same time."

## ...and in-flight romance

A colleague who recently flew from New York to London tells me that the journey made him worried about the effect of alcohol on passengers in high-altitude jets. After a woman sitting next to him had dived three post-prandial brandies she fell asleep with her head on his shoulder and did not stir for half an hour or so, when she suddenly leaned towards him and kissed him with great enthusiasm. Before he had time to say anything the woman had drawn away from him. "I'm most awfully sorry," she said. "I thought you were my husband." What worries my colleague is that he is her husband.

## Hang on

While on the subject of air travel a Sussex reader reports she had the following letter from her local travel agency: "Dear Sir, We regret to inform you that all the seats on the charter flight you mention have already been booked. However, we will let you know if any one falls out, as often happens." That's not tax-deductible either.

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Observer



# FINANCIAL TIMES SURVEY

Monday January 23 1978

## India

After assuming power on the wave of euphoria which followed the ending of the State of Emergency, the Janata Government is experiencing a period of disillusionment as it becomes clear that it cannot resolve India's problems overnight. But increasing public awareness of those problems could be the vehicle for more rapid change in the future.

Progress  
t a  
nail's  
ace

David Housego  
Correspondent

ER THE massive rejection of Mrs. Gandhi in the March 1977 election, demonstrating that a popular movement could still break the grip of an imperial regime in India, this has been for many years the most momentous event since independence. Itably the hopes aroused changes miraculously condensed from the air have a way to disillusionment. The Janata Party seems to be achieving so little. But the setbacks were pitched unilaterally high.

State governments between 1967-71 would have showed themselves more than ready to change horses in midtrack. At least the Janata Party has not broken up as some foresaw in March, believing that it was impossible to accommodate within the same government both the pro-Hindu Jana Sangh Party and such socialist warriors as Mr. George Fernandes. Mr. Desai has also ensured that it has firmly hugged the middle ground which ultimately is the only vantage from which a federal nation as large and diverse as India can be ruled. The risk in that is that the Janata Government has seemed little different from Congress (Morarji's own for instance) and the same concern for patronage above policy. The Party can claim however to have delivered (largely) on the mandate for which it was elected, which was to restore civil liberties.

The lifting of the Emergency has uncorked India's itch to talk, argue and litigate. The depth of that passion will make it very difficult for any future government to attempt the concentration of power achieved by Mrs. Gandhi. She herself has still a sufficient mass popular appeal to harass the Government. But by a series of tactical blunders and by splitting Congress she has frittered away whatever chance she had of making a comeback. One of the saddest aspects of India-to-day is the eclipse of the historic National Congress Party that carried India towards independence, and the self-inflicted humiliation of the Nehru family strengthened his hand because



Indian Prime Minister, Mr. Morarji Desai, greeting the British Premier, Mr. James Callaghan, on his visit to India earlier this month.

that was so closely associated with it. Mr. Desai, octogenarian, long aspirant to the premiership, has both surprised and disappointed by his performance so far. The surprise has been the nimble new with which he has navigated in a cabinet in which there are so many discordant voices and in which he does not have the political clout to enforce his will. Unlike Nehru or Mrs. Gandhi he is only the first among equals, the chairman of a committee, rather than the presiding hand to which India has been accustomed. The visits of President Carter and Mr. Desai, and the self-inflicted humiliation of the Nehru family strengthened his hand because

it is he who plays host to such foreign visitors and India still likes to think that its Prime Minister is at the centre of the world stage. The disappointment has been that in the absence of any firm measures of policy, he has fallen back on his homespun moralising of encouraging Indians not to drink, to take their morning cup of urine, and not neglect the blessings of ayurvedic medicine. Happily Mr. Desai knows, as do most Indians, that he would not be alive to-day if there had not been a more scientific tradition of medicine which has largely rid India of major epidemics.

his administration is that for almost the first time since independence the government has an embarrassingly large surplus of resources but cannot find enough to spend them on. Savings are running higher than investment, the foreign exchange reserves are over \$50bn, grain stocks are still at nearly record levels, industry has plenty of capacity, and India is said to have the third largest number of scientists and engineers in the world. With so much that needs to be done, India should have a resource gap not a problem of under-spending.

country has got itself into this extraordinary position of which the most plausible is that offered by a senior civil servant fresh to government service. "India's bureaucratic system is one of the greatest obstacles to India's development," he declares. "It is divinely computed to obstruct development." But the Prime Minister must also take his share of the blame. With consumer demand stagnant, it is only through higher levels of public investment—particularly on power, irrigation and rural development—that India can get out of its present rut of low economic growth in which non-government investment is choked by lack of purchasing power. Mr. Desai, however, fiscal conservative that he is, fights shy of higher capital outlays because of his nervousness at more deficit financing. With inflation now less of a problem, and in the foreign exchange reserves, a tap for relieving shortages of supplies he could afford to strike out more boldly. Many of his colleagues are urging him to do so.

The most serious failure of

India's ties with the rest of the world through its huge expatriate community and its trade are too strong for it to turn its back on other nations.

In fact one of the most positive achievements of Mr. Desai's government has been his foreign policy. The reconciliation that Mrs. Gandhi's government as well as he has sought with his neighbours—Bangladesh, Pakistan, Nepal—is in sharp contrast with the belligerent approach of Mrs. Gandhi which left India more isolated. It also holds out the promise of favourable economic returns to India becoming the source of a growth-through-for instance, the opportunities for developing the Ganges Basin, whose waters have so long been in dispute.

As a result of the Emergency, the task of any future Indian government is going to be more difficult. The major casualty has been the family planning programme—perhaps the most important single priority in the country's development programme. It has virtually come to a halt because of the backlash that followed compulsory sterilisation. It is also held by a minister, Mr. Raj Narain, who does not give the impression of fully believing in its importance.

The other casualty is that for the foreseeable future no Indian administration can make a virtue out of "strong government" or discipline—terms perfectly legitimate in the context of development. Before the Emergency there was a genuine debate on whether the Central Executive should be strengthened to protect the Harijans (untouchables), carry through land reform or to undermine the power of vested interests able to exploit their dominant position in the economy.

That argument was abused by Mrs. Gandhi for personal reasons, both to buttress her power and to protect herself from the judgment of the Allahabad High Court which condemned her in 1975 for election malpractices. She transformed the research and analysis wing (RAW)—set up as a foreign policy outfit—into an instrument of domestic intelligence, increased the power of the Prime Minister's Secretariat and weakened the ability of the Judiciary or the Civil Service to take an independent stand. Much of this has been undone by the Janata Government, though not all. (It is by no means clear how far Mr. Desai wants to go in removing the 42nd Amendment to the Constitution or abolishing the government's wide powers of detention.) But basically the Janata Government is having to work within the limitations of an open democracy. The difficulty of this is that the sheer magnitude of India (the state of Uttar Pradesh alone has 100m people) is straining the capacity of the system to manage it. In opting for decentralisation and the resurrection of local panchayats (village councils) the Janata Party is taking the only option open to it. But the success of such local bodies in getting funds and taking action is bound to be patchy. Beyond this level of local initiatives, some in the party would like to see the states broken up into smaller and more manageable units. But this is for the time being, politically unacceptable.

In the hope of preventing any repetition of the Emergency, the Shah Commission on the Abuse of Power was probably necessary, though Mr. Desai is said to have had doubts about its wisdom. Its immediate effect has been healthy: the debunking of politicians and civil servants, who in Delhi

### Weak

Industry will remain continually weak without a stronger agricultural base behind it. But the emphasis on rural development will take years to show results. The danger for the Janata Party in this is that it could find itself straddled between, on the one hand, the disappointment of the rural areas at the slow pace of progress, and on the other, the hostility of the towns at the shift of resources away from them.

A weakened Janata Party caught between these pincers would provide the opportunity for fringe groups like the Communist Party (Marxist) or new regional based parties to make inroads into the power of the Centre. One of the better legacies of Mrs. Gandhi was to leave an India in which the regional and linguistic agitation of the late 1960s had largely subsided. In West Bengal, Mr. Jyoti Basu, the CPM leader and Chief Minister has been demanding much enhanced autonomy for the States, and in Tamil Nadu there are still echoes of the strident Tamil nationalism of the past. But nonetheless, the union still looks very much in good shape.

After a momentous year, the realisation that India will lumber forward much as before is something of an anti-climax. But Mr. Desai is not the man to make snail's run. There are two consolations. The historic rate of economic growth in India, reflecting the combination of steady advances in agriculture and industry, is 3.5 per cent., which is above the rate of growth of population. Like the bureaucracy, that has survived the worst of administrations, though it has also defeated the best.

Secondly there has been a growing political consciousness working its way down the scale of caste and class. Organised labour (the trades union movement) has made of itself a privileged social group, however badly Indian wage rates compare internationally. The Harijans and landless labourers, partly as a result of Mrs. Gandhi's efforts, have almost become more conscious of their rights and determined to grab them. Even if legislators and planners cannot redistribute the wealth, there is a good chance that the Indian masses will take it upon themselves to do so.

## The political scene

INDIANS ARE proud that they virtually the only democracy left in Asia and certainly most lively. They are not proud of their politicians. Mrs. Gandhi, held in such awe a year ago, has tied the respect she won from her apparent determination since to destroy the country she once ruled. Congress is split as a result of her walk out in January 1977 when she divided the party on far plausible grounds of differences of policy. She has brought about the eclipse of once historic institution.

The Government side, Mr. Desai, in his evident moment of being Prime Minister, has proved a far more manager than had been seen, if still no charismatic.

Other surprises have come from the Janata party, exponent of a policy of relation with India's neighbours not expected from a party of the pro-Hindu Jana Sangh and Mr. George Fernandes, a trades unionist and politician who is now the confidence of industrialists.

The Janata coalition as a whole has given the impression of being more pre-occupied with the spoils of office with developing as a resolvable party of Government. Politics after the emergency has returned to much the pattern as before, a jockeying for alliances whose shape determined more by parties and patronage than by policy.



New Delhi: the view down Rajpath, showing the South and North blocks of the General Secretariat and the Rashtrapati Bhavan, designed by Sir Edwin Lutyens.

any failure of nerve at the centre. The Janata party however, is still very much in control, although the divisions within it are as strong as ever. Mr. Jagjivan Ram, Food Minister under Mrs. Gandhi but who left her to join the Janata coalition shortly before the election, is still bitter that he was not chosen as Prime Minister. As consolation prize he got the Ministry of Defence, but he carries little weight within the cabinet. His popular support among the Harijan (untouchable) community has been slipping, and he has fallen out with other former associates in the Congress who also joined the Janata party such as Mr. H. N. Bahuguna, the present Petroleum Minister.

The man who spiked Jazivran Ram's ambitions, Mr. Charan Singh, the powerful Home Minister, has himself pretensions to succeed Mr. Desai. The success of his Bharatiya Lok Dal (BLD) small farmers party, carrying much of the north of the Janata, gives him a powerful political base. But he is also a lone runner in the cabinet. His influence has been reduced first by the hanging of Mrs. Gandhi's arrest and then by his failure to get more of his Gandhian Socialist beliefs incorporated in the party's economic philosophy. He would have liked to have seen a far more outspoken denunciation of the "evils" of big business and heavy industry, both of which he regards as unfortunate legacies of the Nehru era.

Weak in numbers though stronger in influence have been the socialists—largely because Mr. Fernandes and Mr. Limaye, party Secretary General, are two of the party's most articulate spokesmen. The attractions of power are what have held the coalition together. Drawing on the momentum generated by its success in March, particularly in the rural areas, it is hoping to do well in the State elections next month in Maharashtra, Karnataka, Andhra Pradesh and Assam. The party needs success in the south to establish its credentials as an all-India party. It also needs to establish a base within the trade unions, which are still Congress and Communist dominated. Nervousness on this score and its continuing lack of any grass roots organisation in the south lie behind its readiness to make accommodation with the Marxists in the State elections.

The divisions within the Janata Party have helped Mr. Desai to assert his authority. He learned up with the Jana Sangh to divide between them the key posts of chief ministers in India's major provinces. The Jana Sangh was the group within the five party Janata coalition to have won the largest number of seats in the March general election, but since then, aware that its credentials are suspect in the south, which objects to its pro-Hindu outlook, it has remained in the background. It has also suffered from an internal split—which has left Mr. Vajpayee closer to the Janata leadership, while the more militant wing has come under Mr. Nanji Deshmukh.

His strength in part has been that there is no acceptable "Dauphin." But the divisions also point to a bitter struggle over the succession and to the potential strains on party loyalty should the going get rough, with agitations in the cities at the Government's still meagre economic performance.

### Defence

It is this type of situation that Mrs. Gandhi would hope to exploit. Her hope had been to carry the whole of Congress with her in transforming her defence against Government charges of corruption and the probings of the Shah Commission on the emergency into a major political battle. After the mishandling of her arrest last year, it seemed for a while that she would gain her way. With her popularity in the ascendant, she made a pilgrimage to the Ashram of Vinobha Bhave—one of Gandhi's followers, and then set out on a barn-storming tour through the south. This was her first tactical mistake as the inevitable violence that ensued brought a backlash against her. But more important she underestimated the resentment within Congress at the high-handedness of her son Sanjay during the emergency and her refusal to disown him or to show any but token signs of regret at the mistakes that had occurred. The party elders wanted a humbled Mrs. Gandhi, not the arrogant leader of the past.

In splitting the party when she did Mrs. Gandhi carried with her far fewer members than she would have done if she had made the move even a

couple of months earlier. Prominent among those who actively joined her were men like Mr. Dattaj Urs, the former Chief Minister of Karnataka, also under investigation for corruption, and who saw themselves hitched to the same handwagon. Her power to discomfort the Janata Government nonetheless remains considerable. However unfavourable the election results, Mrs. Gandhi has been one of the few leaders since independence to have awoken in the Harijan (untouchable) community and the other outcasts of a Hindu society a political consciousness of their rights.

She has already begun to reach out for this popularity with denunciations of "strocities" against the Harijans, rising prices and false arrests. But any hopes that her campaign could bring her back to power are probably wishful thinking. A mediocre Prime Minister, with few major achievements to her name after 11 years in power, she has become in opposition an embittered figure whose belligerence has come from a sense of wrongful persecution.

### Unrealistic

The charge against Mr. Desai is that he still allows the unrealistic target of achieving a 7 per cent. growth rate (twice the historic average) and of eliminating unemployment to be contemplated. Disillusionment feeds on such promises as it does on the absence of any lead from ministers in making sacrifices for which they are calling from others.

Against this must be set the positive gain that Mr. Desai has not allowed India to drift back into some neo-Gandhian haze as seemed possible when he came to power. India's nuclear capacity, whatever else may be said about it, is a symbol of an outward looking, technologically minded country, as is also the size and strength of its engineering capacity. The new emphasis on agriculture does not mean that India is shedding the Nehru heritage for some romantic idyll of homespun cloth and the party of poverty.

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D.H.



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## INDIA II



A tractor salesman uses his powers of persuasion on a group of Sikh farmers in the Punjab.

India's economy now has plenty of resources, but so far the Government has failed to make proper use of them. But it has started to tackle the country's structural problems by giving priority to rural development, thus creating more jobs and higher incomes.

## The economy

AFTER THE high growth rates of the 1950s the Indian economy is still running at half speed. But instead of the constraints of the past decade, the government is now faced with more resources than it knows what to do with. Domestic savings are outpacing investment, the foreign exchange reserves and grain stocks are at record levels, and industry has plenty of space capacity. In other words the potential is there for moving into higher gear. It is a black mark against the Janata Government that it has not been quicker to seize it.

Revised figures are likely to show that there was only a 1 per cent. growth in real output in fiscal 1976-77—which almost exactly coincides with the last year of the emergency—or less than the annual 2 per cent. growth in population. For the current year the expectation is that output will expand by 4-6 per cent.

These swings are almost entirely due to variations in the harvest, as agriculture still accounts for 42 per cent. of net national product. Over the last three years there has been an unusual run of good monsoons with grain production dramatically rising to 120m. tonnes in 1975-76, falling back to 110m. tonnes last year and expected once again to top 120m. tonnes this year.

Fluctuations in industrial output do not make the same impact on the growth rate, for though India now prides itself on being the tenth major industrial power in the world, industry contributes less than a fifth of the national product. The 10 per cent. surge in output in 1976-77 after several years of stagnation is likely to be followed by a 4-5 per cent. rise this year. This change partly reflects the build up of steel and coal inventories last year made under government directive. But more important has been the combination of power shortages (in Bangalore the cut back has been 55 per cent.), slack demand and the increase in the number of strikes. Of these factors, labour troubles have been the least worrying because with many industries running at little more than half capacity, management can ride out a major stoppage.

In both the public and private sectors, new investment has been negligible with certain exceptions like cement or steel products where the easing of pricing controls has uncorked a backlog of projects now being hastened forward to plug acute shortages. There are some signs that industry is replacing plant. Loan sanctions by the Government development banks were up 25 per cent. in April-September and disbursements by 15 per cent. Equally the cutback in food imports with the suspension of grain purchases—the major item on the import bill—appears to have been made up by higher orders for capital

### BASIC STATISTICS

Area	1.28m. sq. miles
Population	610m.
GNP (1974)	Rs.661bn.
Trade (1976)	
Imports	Rs.45.5bn.
Exports	Rs.49.9bn.
Imports from U.K.	£207m.
Exports to U.K.	£355m.
Trade (1977 to end Aug.)	
Imports	Rs.32.1bn.
Exports	Rs.34.8bn.
Imports from U.K.	£178m.
Exports to U.K.	£254m.
Currency: Rupee, £1=Rs.15.7	

equipment and raw materials. But this does not alter the overall picture of industry restricted in its markets, not for lack of people (there are 62m. of them) but because in the rural areas, where 80 per cent. of them live, there is not the purchasing power. Over the last 15 years real incomes are believed to have fallen for most villagers. With this decline, industry is caught in a process of self strangulation, in which demand for its products is only marginally responsive to good monsoons or changes in monetary or fiscal policy.

The approach of the Janata Party to this structural problem has been to put its priorities on rural development and labour intensive industries as a means to creating more jobs and higher incomes. Until it has spelt out how it will achieve these goals, the most that can be said is that it has put the helm in the right direction.

With little "new" land left, the much needed sustained growth in agricultural output can only come from more intensive use of seeds, fertilisers and irrigation. But even with a forceful government and an efficient extension service—commodities generally in short supply—it would take years to achieve significant results, let alone lift the economy to the 7 per cent. growth rate to which it has unwisely pinned its name. And even then the benefits will not be translated into a broad based increase in demand without an enforcement of land ceilings on which the Janata, like Congress before it, as a party of patronage and multi-coloured in its ideology, is understandably hazy.

Still more difficult to organise will be the small scale and cottage industry sector that the Government sees as the major source of new employment outside agriculture. Industry dismays this because it impinges on its own territory, there is no clear indication of how much plant will be phased out, and quality of components that they would be expected to buy from the small scale sector. In the face of this, small scale enterprises will need co-ordinating from

the cannibalism of the public and private sector in the way that they have been themselves protected from foreign competition. This promises a further cats cradle of regulations in a country already stifled by them. The short cut to eliminating the "black" money that the Government rightly condemns would be to risk some people making profits by throwing the regulations overboard. Political gestures—like demonsting notes of Rs.1,000 and upwards as the Government did last week—has the speculators chuckling up their sleeves.

With consumer demand flat, the impetus for growth in the immediate future must come from higher levels of public investment. As a ratio of net national product, total investment within the economy has been stuck for some years at just above 14 per cent. Domestic savings are now running at over 16 per cent. with bank deposits still climbing sharply. On top of that grain stocks are not at 18m. tonnes and the foreign exchange reserves are likely to reach \$5.4bn. by the end of the fiscal year.

### Increased

Plan outlays—the best measure of development expenditure—were increased for this year by 27 per cent. to \$11.7bn. But it looks as though there will be considerable under-spending in terms of capital investment while recurrent expenditure is way beyond what the Government had intended. This is partly a legacy of the largesse doled out by Mrs. Gandhi to win support before the election and partly because the state governments have been running to Delhi to bail them out from the consequences of their own lax financial discipline.

Unwilling to take the political risk of raising taxes to raise revenues, the Prime Minister has been arguing instead for a trimming of the growth of plan expenditure though he appears to have accepted a compromise of an increase next year of 20 per cent. But the Reserve Bank of India and the World Bank have been pushing for the bolder approach of more deficit financing (if higher taxation is politically ruled out) so long as it can be put to productive investment.

The bottleneck here is not the shortage of projects. There are plenty of irrigation or road construction schemes on which work could be speeded up and there are plenty more in the pipeline. It is the lack of political will and the determination of the bureaucracy, nurtured in the traditions of husbanding resources, not to look a gift horse in the mouth. The state governments are probably the worst offenders here, and worst states like Uttar Pradesh and Bihar where opportunities such as harnessing the Ganges are greatest, but the infrastructure is weakest. Typical of the failure

to spend is that only a few states have yet put forward projects to make use of the extra earnings the Government offered last year for drinking water and rural roads projects.

Inflation which was a constraint in the past is less of one now. On the basis of the whole sale index, prices were 4 per cent. higher in November than a year before. Shortages of key consumer items—the main cause of inflation in India—have been diminished both by imports and the freer transfer of food across state frontiers. The growth in the money supply is likely to be held at around 7 per cent. for the fiscal year against 18 per cent. last year, not fully reflected in parallel price increases, because the velocity of circulation is less.

The private sector, which is dependent for about two thirds of its orders on the Government or public sector, takes a cue on investment from the level of government outlays. It has responded only marginally to the tax and investment allowances made in recent budgets. It sees demand growing for agricultural equipment, pumps, cement and steel if it Government carries through its agricultural programme. But it also wants a relaxation of pricing and licensing policy, low wages and less taxes. This, reaching for the moon, but the private sector is much more concerned that the Government is not turned out as anti-business as it feared, and that in George Fernandes it has as its industry Minister, one of its ablest men in the Cabinet.

### Surplus

As for the balance of payments, the \$81m. surplus trade account last year is expected to be followed by a other small surplus this year major change from the \$1.4 deficit of 1975-76. With remittances from Indians abroad coming in at the rate of about \$150m. a month and aid disbursements for the year about \$2bn., the reserves are likely to rise a further 44 per cent. by March as against \$4m. last year to \$5.4bn.

The view among the Government's economists is that it will flatten out at this plate (equivalent to 10 months' exports) or below. This is based on expectations of higher ports as disbursements speeded up in develop Rom High, to purchase more power generators and transmission equipment, and for defer Exports are also thought likely to rise less fast, with text and the engineering industry caught either by protection or the world recession. Government is also thought safe in case of a bad monsoon or another rise in oil prices. But experts think the worst may be behind them. Officials embarrassed by the size of foreign exchange reserves rightly think should be.

David House



# INDIA III

The election of a shaky coalition Government which lacks a national base has led to considerable strains, particularly in the States where other parties are in control. Unless greater autonomy is conceded to the States the country's unity will be put in danger.

## Centre-State relations

AT LEAST five political parties rule India's 22 States, and it is with some reservations that even the Janata and the now splintered Congress Parties can be described as national organisations. The Congress factions have just a foothold in the north and are in tatters in the south. The Janata still has to establish a base in any of the southern States, which it finds difficult to give representation to in the Central Cabinet because of its poor showing in the Lok Sabha elections in March. Of the three or four other parties in power in the States, only the Marjists can claim to function outside the States (West Bengal and now Tripura) which they rule. The National Conference is confined to Kashmir, the Akalis to Punjab and the Anna Dravida Munnetra Kazhagam to Tamilnadu. The Congress parties could disintegrate into "regional parties" and it is possible that these will contest the coming elections in some of the six States in February. It is easy, putting it so baldly, to see in this the possibility of forces emerging which would strain India's federal structure. An insurrection is developing in Nagaland — both in what is commonly called the "sensitive" northeast region where Marxist-ruled Tripura is also located.

### Emotion

Further back in history, there were secessionist moves in what is now known as Tamilnadu, where the ruling ADMK is a splinter of its parent DMK which renounced its demand for secession just about 15 years ago. This was based on linguistic differences, but it is not impossible to see other equally powerful, centrifugal forces which could arouse sufficient emotion to trigger similar movements. India's diversity is not confined to languages (of which 17 are recognised officially) but also religion, history, culture and ethnic differences and to these is now added politics. With the three-decade sway of the Congress now terminated, and so many single and separate political parties in power (as distinct from the shaky coalitions which ruled briefly in the late 1960s), there is a strong demand for redefinition of Centre-State relations.

The demand, basically, is for greater autonomy for the States with an unspoken but real threat that unless this is conceded, the country's unity is endangered. The Union is now where near cracking up, as many prophets of doom have been predicting for the last three decades, and there is no one, not even Sheikh Abdullah in Kashmir, seeking to break away. But the strains between a Central Government which lacks a national base, and is itself a shaky coalition, and other parties in power in the States are real. The latter's views cannot be ignored as they were in the past when the Centre used Constitutional provisions to quell dissent in the States, and a nationwide debate on this has already begun.

The demand for more powers for the States has been made truly by Marxist Government of West Bengal, whose Chief Minister, Mr. Jyoti Basu, recently spent a week in Imphal discussing State autonomy with the mercurial Sheikh Abdullah, while the ADMK Chief Minister of Tamilnadu, K. G. Ramachandran, has been making noises from the south. None of these can ever hope to come to, or even close to, power in the Centre since it is only the Marjists, apart from the Janata and the Congress parties which wield substantial power outside the eastern region. This is one reason why Mr. Basu has taken the lead in seeking greater State autonomy: his overment has officially adopted a 2,500-word potentially explosive memorandum seeking national debate on Centre-State relations.

Mr. Basu proclaims that he does not want a "weak Centre" and that the "concept of strong states is not necessarily in contradiction to that of a strong Centre" provided that their respective spheres of authority are clearly marked out. But this is just the veneer of respectability he has given to his demands. These include not only greater fiscal powers and share of the Central revenues but also the right to formulate a national economic plan but

also denial of some key existing Central powers. Among these are the Centre's right to dismiss a State Government and to deploy Central police forces. He wants the preamble of the Constitution to be amended to include the word "federal" in the description of the Republic of India and the word "Union" replaced by "Federal". In the rest of the Constitution, according to him, only foreign affairs, defence, communications, currency, economic co-ordination and related matters should fall within the exclusive domain of the Central Government.

Having swept to power at the Centre, the Janata Party has so far adopted the stance that it is unaware of any real demand for greater State autonomy. Its leaders have remained silent on Mr. Basu's demands, which must steadily lead to a weakening of the Union if they are accepted. The Janata is, in truth, somewhat embarrassed by the Marjists since its own election manifesto committed the party to a programme of decentralisation of economic and political power. This rejected Mrs. Gandhi's amendments to the Constitution during her emergency rule on the grounds that they "vitalize the federal principle and upset the nice balance between the States and the Centre." Partly it was because the party genuinely rejected the enormous accretion of powers by Mrs. Gandhi for the Centre — this was probably the only basis for the unity of its constituent units. But it was also because, at that time, the Janata Party professed to be guided by Mahatma Gandhi's ideals; these say that a just, egalitarian and prosperous India can be built from the bottom upwards.

There are many who believe that the Constitution as it stood before it was amended by Mrs. Gandhi does not really need the drastic modifications sought by Mr. Basu. The blame, they say, lies not in the Constitution but those who distorted it while operating its provisions, particularly in respect of intervention by the Congress Central Government for dismissal of State Governments when the latter's functioning did not suit it. The late Dr. B. R. Ambedkar, who piloted the Constitution debate when it was being framed, once said: "The Constitution is workable, it is flexible and it is strong enough to hold the country together both in peacetime and in war. Indeed, if things go wrong under the new Constitution, the reason will not be that we have a bad Constitution. What we will have to say is that man is vile."

### Attitude

Dr. Ambedkar's words are prophetic. When in 1952 the Congress failed to get a majority in Kerala, the first State to have a non-Congress Government, Mr. Nehru said: "My attitude as Prime Minister is that I shall treat it (a non-Congress Government) exactly on the same level as any other Government. My attitude as Congress President might not be the same." Dismissal of State Government on various pretexts has taken place frequently and each time under the provisions of the Constitution, usually after the Governor reported that it was impossible for the Constitutional machinery to function. It is common knowledge that such reports were made following phone calls from New Delhi or hints from the Congress party. What Mr. Nehru began was followed up by his daughter, both of whom treated Congress and non-Congress Chief Ministers they wanted dislodged in the same manner.

What must disturb non-Janata Chief Ministers is that the Janata Government, for all its protestations about decentralisation, has not acted very differently. The Central Government's vast powers vis-a-vis the States were demonstrated vividly when it dismissed the Congress State Governments in the northern belt where the Janata has taken nearly all the Parliamentary seats. This had some justification since the March parliamentary elections had shown that the Congress had been rejected; this was endorsed by the subsequent elections in these States in June. Yet it is common knowledge that but for the approaching election of the President, whose electoral college is formed by Parliament and the State legislatures, such hasty action would not have been taken. Indeed,

the Janata Party's initial belief in greater State autonomy was a momentary result of the general revision for Mrs. Gandhi's strong rule. One of its main constituents, the Jana Sangh, was a firm believer in a unitary form of Government and even believed in replacing States with regional zones. There is no final answer to the perennial Centre-States issue. Everyone acknowledges the need for a strong Centre both to keep the country together in the face of internal pulls and dissensions and to deal with external aggression. Yet the Centre has allowed a number of powerful and sometimes corrupt powers of intervention and Chief Ministers to flourish, correction.

Even Mr. Nehru permitted many to continue in power despite the demonstrable violation of democratic norms by them, let alone the accumulation of personal fortunes. By turning a blind eye to these felonies, Mr. Nehru in effect acted as a weakened Central Government. It is on the cards that if decentralisation of the kind that Mr. Basu and others want is permitted, this type of politician will again emerge. And apart from personal despots, there are innumerable emotional variants of the language issue to keep the States warring with each other. The Centre were to shed its powerful and sometimes corrupt powers of intervention and Chief Ministers to flourish, correction.

The issue is basically that of power. In the past it used to be the change in the political scene. It is a mixture of personal and political power with a bit of ideology thrown in to complicate matters. There will be irritants and conflicts, no matter what the constitutional safeguards, as long as the political complexions of the Governments at the Centre and the States are different. They have not reached flashpoint and need not if politicians avoid confrontation and try to find answers to meet the needs of the new multi-party democratic pattern.

K. K. Sharma



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### EXERCISE 1.

#### Sideways stretching.

Feet placed comfortably apart. Breathe in and bring stretched arms up to the sides. Breathe out and slowly stretch over to one side. Slide one hand down the leg as far as it will go. While the other stays in the air. Take care not to lean forwards or backwards but imagine that you are in between two panes of glass. Stay in this posture for as long as is comfortable, breathing slowly and steadily. Gently on an inhalation return to upright position.

Repeat on the other side. Stretches waistline muscles, trimming them. Brings suppleness to spine. Strengthens legs. Try it after a strenuous day at the office.

### EXERCISE 2.

#### The Cobra.

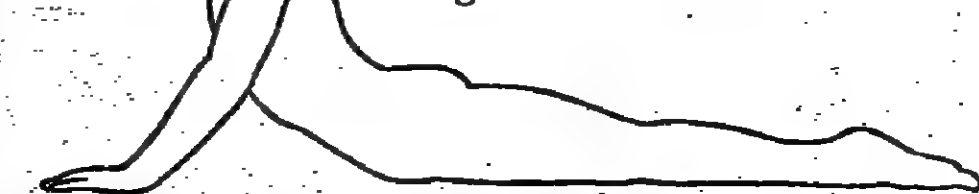
Strengthens and straightens the back and spine. Excellent for stretching the neck, chest and stomach areas as well as thighs.



Affects the Adrenal Glands and massages vital organs. Helps correct menstrual disorders and tones up the sex glands.

Lie flat on the stomach with the face downwards, putting the forehead on the floor. Place the hands palms down comfortably parallel with the shoulders. Lifting the head up and back as far as possible, inhale and, using the back muscles, pull up the shoulders and upper part of the body. Finally, using the hands, push up and back, keeping the pelvis on the floor to ensure proper positioning of the spine. Breathe out holding the posture for a couple of seconds then slowly lower, reversing the process and bringing the forehead to rest on the floor. Repeat three times.

Try this in the morning, it's probably more refreshing than a glass of orange.



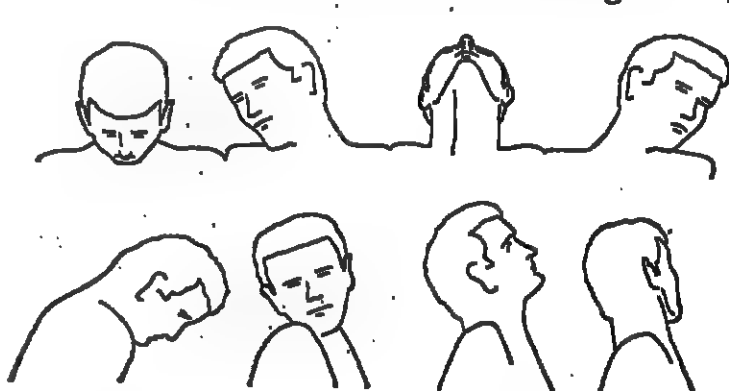
### EXERCISE 3.

#### Circling the Head.

Loosens the tensions in the neck, back and shoulders. Sitting in an easy cross-legged position, or on any chair or stool, ensure the freedom of movement of the back and head. Drop the head forward and completely relax the neck. Moving from the waist, using the whole upper part of the body, let the head roll in a circle. Do not push it around but rather let it loll. In doing this the head moves completely freely and eases one of the worst tension spots we have. Circle from three to five times continuously in one direction, then repeat the other way.

Remember to keep the jaw relaxed; yawning, sighing and deep breathing will all help.

This exercise is usually noisy and painful to start with, but done for a few minutes daily quickly becomes a very pleasant way to relax. Try this at your desk in the office between meetings.



### EXERCISE 4.

#### Crossing the Atlantic.

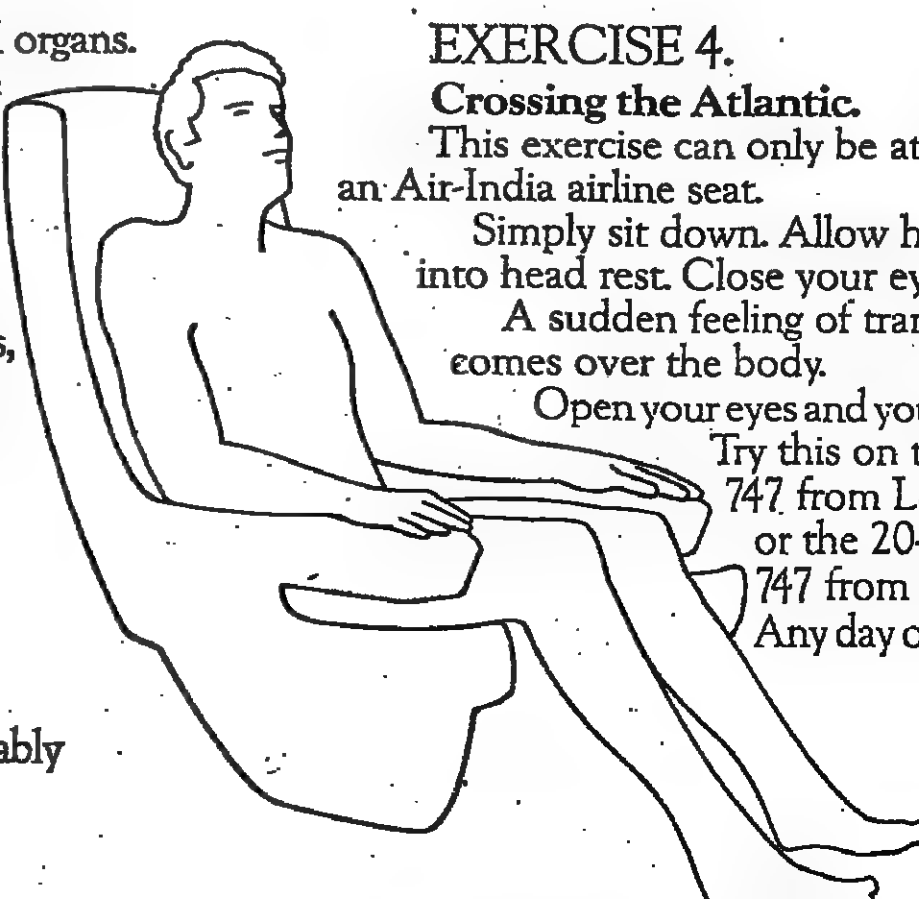
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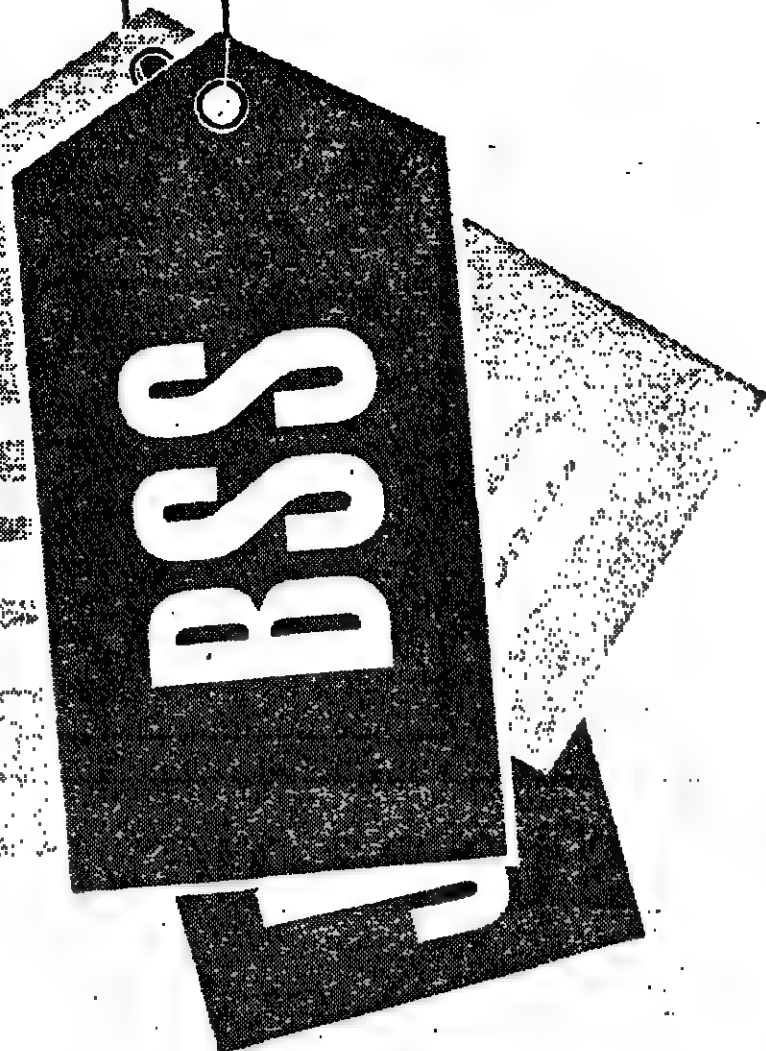
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## INDIA IV

The return to democracy has given a new dimension to India's foreign relations. The gains have been substantial, enabling India to regain its position as a leader of the Third World and a champion of the non-aligned movement.

# Foreign policy

INDIA'S EXTERNAL Affairs Minister, Mr. Atal Behari Vajpayee, has proclaimed that the "inherited suspicions on the country's foreign policy have been eliminated," that a new dimension in external relations has been achieved in the ten months that the Janata Government has been in power.

It is not an unreasonable claim. Whatever the vacillations of the Government on the home front, foreign policy gains have been quick and substantial. The process was helped, as Indian ministers making their first visits abroad in their official capacity found, by the results of the last general election. After his first appearance at the U.N. General Assembly last year, Mr. Vajpayee was overwhelmed by the reception he was given. There was not a single hostile or unfriendly reference to India in the session—not even by China, Pakistan and Bangladesh which were adversaries not too long ago.

Mr. Vajpayee feels this is the result of restoration of liberty and democracy in India through a non-violent revolution last March. He found this increased the country's credibility and improved its capacity to play an effective role in world affairs. This is not—nor is the Government wanting this—a return to the stance that India's foreign policy has an unusual moral content; the lecturing to other nations, including the super powers, of the kind that the late Mr. Jawaharlal Nehru indulged in before he was pushed off his pedestal by the Indo-China war of 1947, has been permanently abandoned.

### Unique

Yet the Government has found widespread recognition of India's unique position of being both a leader of the Third World as well as a founder of the non-aligned movement.

Just as India sent a military contingent to the Congo in 1959, the selection by the U.N. Secretary-General of the Indian soldier diplomat, General Prem Chand, as his special representative for Zimbabwe is taken to mean a revival of India's former peace-keeping role. The country has been taking initiatives in southern Africa and South-East Asia that have not been publicised—as they would have been a decade ago—that show a new maturity resulting from experience and the new Government's desire to find a role that is commensurate with India's size, position and history.

Broadly, this is a search for what Mr. Morarji Desai described as "genuine non-alignment" the day he assumed office. At that time it was presumed that the pro-Moscow tilt Mrs. Gandhi had given to India's non-alignment would be corrected. But national interests soon brought realism to bear on such a swing, and there is no sign of any dilution in relations with Russia. If anything, because Moscow itself feared loss of its most important Asian ally, relations are closer. There are offers of more aid and more co-operation, especially after Mr. Desai's visit to Russia last autumn. It is another matter that the Government finds itself at a loss on

how to make use of the offers. The aid issue has, in fact, enabled India to be taken by others at its own assessment of its middle power role. India does not really need aid as urgently as before; it managed without the previous principal donor, the U.S., since 1971 without difficulty, and the new content that has been given to Indo-U.S. relations after President Carter's visit earlier this month is partly because there was no need to bring out the begging bowl. President Carter is unlikely to send the "cold and blunt" letter that he threatened on the nuclear safeguards issue, but India can derive considerable satisfaction from the fact that such a letter of record was all that the U.S. thought possible. In the past, the threat of withdrawal of aid was the weapon wielded. India's comfortable foreign exchange and food reserves position gives foreign policy the flexibility to stand up to pressures of this kind.

The warm welcome given by the world to India's return to democracy and the country's leaders eagerness to reciprocate and show that they are anxious to play a positive role in world affairs have helped the process. The country is in a pliant mood, willing and eager to accommodate others in its bid to consolidate the gains coming naturally after the March elections. This has been done at three different levels. First, in its relations with the super powers, India has tried to give meaning to Mr. Desai's "genuine non-alignment" by establishing relations with both on a basis of equality. Second, as a champion of the non-aligned movement and of the rights of the Third World, India has taken up the cause of the front-line southern African states and the Arabs on the political plane and tried to keep the north-south dialogue going on the economic front. Third, and for India this is the most important, a major effort is being made to mend fences with neighbours.

The main success so far has been with Bangladesh: President Zia recently visited India in a bid both to gain respectability and recognition for his regime and to cement relations. This would not have been possible had India not signed the agreement settling, at least for the short term, the contentious issue of the sharing of the Ganges waters. This has been done at the cost of much criticism from within, notably from West Bengal, whose interests are most affected by the concessions made by the Government, but it is a sign of the country's genuine anxiety to improve relations with sub-continental neighbours. Indo-Bangladesh relations are unlikely to reach the euphoric level of 1971, but they are on a more even keel than after Sheikh Mujibur Rahman's assassination in 1975.

Yet so long as the Kashmir issue remains unsettled, at least to the satisfaction of both countries, normalisation cannot be achieved. Not unexpectedly, General Zia-ul-Haq referred to this recently, the first time since he took over the government, pointing out that, while his country was trying to normalise relations with India, "real success" would be achieved only if the "Kashmir issue" were to be resolved in accordance with "U.N. resolutions." Kashmir, it will be recalled, was the final step in the "step-by-step" approach envisaged in the Simla Agreement of June, 1972, between Mrs. Indira Gandhi and Mr. Bhutto. All the other steps have been climbed, and it will need considerable statesmanship on the part of both countries to cross the final and most intractable hurdle. India has hinted that it wants the status quo formalised



Mr. Desai with President Carter during his recent visit to India. The better relations between the two countries were cemented by the visit, in spite of a contretemps over the nuclear safeguards issue.

(although the official policy is to claim what is referred to as "Pakistan-occupied Kashmir.") but acceptance of this is not possible in the way that India and Bangladesh were able to get to grips with the Ganges waters issue.

China and India are also finding it difficult to end their strained relations, which first deteriorated in the early 1960s, nearly two decades ago. Mr. Desai said a couple of months ago that it is for China to take the initiative on the unsettled border issue and until then "normal relations" would not be possible. China made protesting noises when the Dalai Lama, a refugee in India since he fled Tibet two decades ago, met Mr. Desai. Both seem to be restating their positions, while the slow process of starting economic and other relations progresses. The New China News Agency recently noted India's contribution to the African people's cause and mentioned that this country made no food imports this year. It has been years since such positive and commendatory mention has been made of India inside China, and in another form of ping-pong diplomacy, this is taken as a sign that a thaw is in the offing.

Apart from such bilateral gains, recognition as being one of the main spokesmen of the Third World is Indian diplomacy's main success. India took part in the Paris conference and vigorously stood up for rights of the Third World. One of its senior and respected intellectuals, Mr. L. K. Jha, is a member of the Brandt Commission. As part of the "Group of 77," India has decided to resume the dialogue through UN forums, but it is its unique position of being both an industrialised and developing country that makes it acceptable to both sides. President Carter specifically mentioned this during his visit to New Delhi early this month, seeking India's help to prevent the dialogue from breaking down. Since this is the kind of role the new Government is keen to play, new initiatives are planned.

The only fly in the ointment in the rapid strides made in foreign relations is the nuclear issue and the non-proliferation treaty. This did not mean much until the nuclear bang in the Rajasthan Desert in May, 1974, when India catered into the exclusive club. Mr. Carter's and Mr. Callaghan's recent efforts to persuade India to take the lead, and hence set the pace for other Third World countries, failed because the present Government agrees with its predecessor that the NPT is discriminatory. Mr. Desai stands by this despite the threat to supplies of fuel for nuclear plants. He says that if the other nuclear powers agree to abandon tests and whittle down their arsenals of atomic weapons, India will fall in line. Mr. Desai has committed the country not to make any tests, peaceful or otherwise, and considers this as the next best to being an actual signatory to the NPT. In its present pliant mood, this should be taken at face value, since India is in no mood to flex its muscles.

K. K. Sharma

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مكتبة الأمل



Increased efforts to boost agriculture and rural development are the main themes of the Janata Party's new economic programme. Creating more jobs, boosting national output and redistribution of incomes are also priorities.

# Economic policy...

The Janata Party had no economic programme when it came to power in March. It only has a shadow of one now. The party issued its own statement of policy in November, but it does not commit the Government. Mr. Charan Singh, powerful Home Minister, published his views on what Government should be doing in a book called "India's economic policy: the Gandhian spirit," but he has been criticised on a number of important points. In December, George Fernandes, the Minister for Industry, put before parliament as an official statement an official policy.

It believes that more jobs can be created outside agriculture, representing the cross-section of conservative orthodoxy, agricultural lobbyists and farmers from which the Janata Government has emerged. The result is a set of views, often contradictory, which have been inadequately identified and are short on detail on how they will be carried through. Some trends, however, are discernible:

## Production

The Janata Government's policy can be summarised as follows: It puts more weight than Congress did on agriculture and rural development. It believes that the increase in unemployment over the last 15 years and decline in real terms of the incomes of most villagers have led to the lopsided situation of India having a large industrial capacity but too little demand for its goods. Thus it is no real pick-up in industrial production and investment. There is an increase in purchasing power. The Party proposes that 40 per cent of the investible funds should be allocated to agriculture. The Party wants to create

"certain measure of growth" is healthy for the 20 or so larger industrial houses (Birla, Tata, etc.) which are condemned as having concentrated in their hands a disproportionate amount of resources. Mr. Fernandes has limited their future expansion and borrowing powers, but has left enough loopholes to give them some confidence about the future.

Janata is suspicious of profits and high salaries for management. The party document says that profits should not be squandered on "indiscriminate distribution of dividends and bonuses and increasing the

perks and amenities of the top people."

It has relaxed price controls, however, in industries like cement. According to the Government's industrial statement the private sector will be allowed a return on its investment sufficient to provide a reasonable dividend and funds for modernisation and growth. It is suspicious of foreign investment and foreign technology. Mr. Fernandes is taking a tougher line on bringing established foreign firms within the official 40 per cent equity ceiling for joint ventures. Where Indian technology is available,

the private sector is banned from buying foreign know-how. It is encouraged to enter into collaboration agreements or to buy foreign technology outright where India has inadequate capability. In practice, President Carter's visit to India demonstrated considerable interest by the Government to foreign technology. Also Mr. Biju Patnaik, the Steel Minister, has warmly welcomed foreign investment for the steel industry.

The party is likely to be more interventionist towards industry than Congress in its efforts to

will mean more bureaucrats and more red tape.

It also wants to cut down on red tape. As a demonstration of its seriousness on this it has set up two high-level committees to expedite import and export procedures and the vetting of applications for industrial licences.

Janata is ambiguous in its policy over trade. The Government says that self-reliance must continue to be the paramount objective but that the foreign exchange position will allow selective removal of import quotas and quantitative restrictions. It promises to look favourably on industries seeking licences for increased capacity for export purposes, but says that in its overall industrial licensing policy a commitment to export will not carry the same weight as before.

Thus both policy and implementation are fluid. Much is left unclear. Textile and footwear manufacturers are in the dark as to whether they can invest to place existing plants. The issue of land reform—central to any programme which has as its goals increasing agricultural output and redistributing income—has been fudged. What is achieved will be the best guide to where priorities really lie.

D.H.

about 70 miles east of Poona, in a well irrigated sugar growing region and is the cattle breeding centre most accessible from the city. It was also one of the earliest centres to be established. The Foundation chose it as a starting point because local farmers had already organised themselves into a sugar producing co-operative with a large cane processing plant of their own. The co-operative was thus able to meet the Foundation's operating costs in setting up a local veterinary station (located beside the factory) providing artificial insemination and back-up facilities.

At the first house at which we stopped over 30 cross-bred cows were being looked after by hired labour earning only Rs4 to Rs6 a day. The owner was a director of the co-operative farming 120 acres of richly irrigated land with three brothers and their family—a holding almost certainly in violation of the statutory land ceiling.

"We need to bring in the local landowners," said the guide from the Foundation "because they form local opinion. Without their support the scheme would be thwarted."

The next two families presented a different picture. At a house five miles away, a maker of bullock carts had had his Zebu cross-bred four years ago. He owned no land and his business was in decline. The cow and two heifers he now possessed had become the mainstay for his family and potentially his largest source of income.

Further on, a man with only half an acre had two cows and three heifers. On his land—insufficient in itself to support his family—he was growing sorghum as fodder, chillies, sugar cane, mangoes and papaya. From the cows he claimed to be earning Rs2,400 a year. His neighbours were envious, he said, but there was nothing they could do because they had neither a Zebu for cross breeding nor the money to buy one.

Both were instances of the scheme's success in supplementing employment and income of families close to the poverty line but who had the energy and determination to make use of the opportunities put their way. The project's limitation is that it cannot hope to reach the very poorest (the Harijan or untouchable community, for instance, which in Maharashtra accounts for about 12 per cent of the population) or those who no longer have the energy to help themselves.

Government subsidies are available in certain cases to cover the Rs500 of expenditure for artificial insemination and the enriched fodder needed in pregnancy. But it still costs a further Rs2,000 to feed a calf until it heifers, and produces its first milk. Most Harijans in any case do not possess a cow.

The first attempt by the Foundation to evaluate the social and economic impact of the scheme—still very much at the pilot stage in most areas—was completed in June last year. It covered eight centres in which 21,500 farmers were recorded as participating. Of these, 47 per cent owned no land or less than five acres, and 25 per cent between 5-10 acres.

The foundation is now attempting to widen the project's scope by extending into fodder cultivation and dairy marketing. At Uruli Kanchan, research is under way on growing kharaboli and hedge lucerne on saline and rocky soils and on testing this fodder for nutritional value. The aim is to develop fodder which could be grown on wasteland by landless labourers.

## Finance

Finance for the project has so far come largely from the Mafatlal group of companies—long involved in Maharashtra in philanthropic work and rural development—and international agencies such as the Danish International Development Agency. Both have been rightly impressed by the professionalism of BAIF's work. "Money is no problem," says Dr. D. S. Gorhe, the Foundation's chief executive.

The Government recently increased the attractions to industry of participating in rural development projects by making such expenditure under provisions announced in the last budget eligible for tax rebates. Other companies, such as Indian Explosives, Chemical and Fibres (Wire Ropes) and Tata's have already a considerable record of involvement in such schemes.

In part, this is philanthropic or promotional, and in part an extension of existing interests in fertilisers, for instance, or farm equipment. But a significant number of industrialists also share the Janata Party's concern to increase rural purchasing power and employment. They would prefer to do it through agriculture rather than by curbing their own expansion in favour of small scale industrial units located in the countryside.

D.H.

As part of its drive to create new employment the Government is providing improved assistance for rural development projects.

... at work

FOR THREE months from June the monsoon drives across India's western coastal plains until partially checked by the Western Ghats, the mountain barrier that shields much of central India. Beyond, on the Deccan Plateau, where only a thin layer of productive soil covers the deep formations of rock, the monsoon loses momentum.

In this dry area of the "rain shadow" is to be found one of the rare projects in India which has attempted and had some success in bringing jobs and additional income to the rural areas. Started long before the Janata Party made rural development the backbone of its economic philosophy, it nonetheless provides a yardstick for judging what might be achieved. But initiative came from a disciple of Mahatma Gandhi's

Manibhai Desai—who at Gandhi's instigation began a nature cure ashram at Uruli Kanchan, about 19 miles from Poona. (Gandhi once sent his wife there for treatment.) Desai soon expanded the ashram into a local agricultural centre, showing villagers the techniques of lift irrigation, encouraging them to diversify into other crops such as grapes, and establishing a sugar processing co-operative.

Ten years ago he founded the Bharatiya Agro-Industrial Foundation (BAIF) at Uruli Kanchan as a research station for cross breeding the local Zebu cow with Holsteins from Denmark and Jerseys from Britain. Supported by funds from industry and international agencies, this now has well-equipped laboratories and the country has the largest cow

country to help develop a strain of cow resistant to local disease but with a high milk yield.

The research station is but the focal point for a much more ambitious scheme to give landless labourers and small farmers across the country an opportunity of earning more by raising one or two cows for dairy purposes. Over the next five years the Foundation's aim is to develop 500 cattle breeding centres each covering 15 to 20 villages and rearing a million cross-bred cows in all. A start has been made with 100 centres now in operation in Maharashtra, Gujarat and Uttar Pradesh and these are to be extended into other states.

Such a project would not be so eventful outside India. But in India it represents a minor revolution in that though the already have wealth. Malegon,

population in the world, Hindus have traditionally reared the cow for worship, as a source of manure or fuel, and for producing bullocks for ploughing. Besides the buffalo it has only had a marginal role in providing milk or dairy produce—and hence additional family income.

With the cross-bred cow yielding at least five times as much milk as the Zebu (a minimum of 2,000 litres per lactation and often double that) a family stands to make Rs1,000 net a year for each cow in milk. That is almost as much as a farmer could earn in a year from 24 acres of non-irrigated land in Maharashtra. But is it a scheme which really helps the poor?

First impressions reinforce initial suspicions that, as so often happens in rural India, improvements favour those who

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## INDIA VI

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With a high level of unemployment and industry regularly operating below capacity, the comparatively small Indian trades union movement needs a strong personality or body to weld the workforce into a cohesive whole.

## Labour



In a demonstration organised by the Communist Party of India in November last year, more than 20,000 people marched on the Indian Parliament to protest about rising prices and unemployment.

MUSSOLINI MADE the trains run on time and Mrs. Gandhi's emergency brought a measure of industrial stability to India's strife-ridden factories, railways, banks and power houses. This ended abruptly with the ending of the Emergency and the first few months of Janata Government saw a violent release of pent up frustration, a spate of strikes "to show we have not lost the art," a union leader suggests wryly.

In the industrial complex of Bombay, it is estimated that around 30 per cent. of all factories are currently idle at any one time, due either to strikes or lock-outs. Earlier this month the state of Maharashtra was crippled by a government employees strike—an estimated 20,000 of the 90,000 striking secondary school teachers in Uttar Pradesh have been jailed—many subsequently released—during the current dispute. Last October, two management officers were savagely beaten, castrated and had their eyes gouged out before being murdered at a factory in Kanpur. Reports of factory managers and supervisors being beaten or tied up are commonplace.

Officials in Delhi say the industrial situation is bad, but not as alarming as it sounds. While many industrialists deplore the lifting of curbs, blaming strike action for the closure of many small to medium workshops and textile mills, the officials point out that apart from the initial three to four month period after the emergency, the number of man-days lost is slightly less than in the pre-emergency period of 1974 at about 0.5 per cent. of time worked and that during the emergency the amount of time lost due to lockouts, many of them disguised as layoffs, more than doubled.

Ironically, the Emergency may have benefited the workers almost as much as the management in some ways. India's trade union movement is hopelessly fragmented and its leaders do not seem to have much idea of how to run a strike. Industrial action may have some use as a ritual or therapy but has not done much lately to improve pay or conditions. Demands are frequently trivial—often the product of inter-union rivalry rather than worker-management friction—and even when more serious issues are at stake, such as non-payment of bonuses by a profitable company, industrial action often fizzles out with no concession at all to the workers.

Quite often the union changes than through the governments' regional guaranteed work programmes which alleviate but do not solve the problem, will not be feasible for many years to come.

### Recognition

But to consider labour in terms of unions is perhaps inappropriate in a country where unions represent only 20m. of the 200m. workers, where management need not recognise worker representatives unless it chooses, where a factory of 500 or so workers—on a side-by-side to 20 unions and where collective bargaining is still the exception rather than the rule. India's unskilled and semi-skilled workforce includes some of the most ruthlessly exploited men and women in any industrialised or semi-industrialised country. They work long hours for minimal wages which can be trifling—often the product of inter-union rivalry rather than worker-management friction—and even when more serious issues are at stake, such as non-payment of bonuses by a profitable company, industrial action often fizzles out with no concession at all to the workers.

Within the organised sector, most unions are affiliated to one of the nine or so big central labour organisations—such as the Indian National Trade Union Congress, the All India Trade Union Congress, the Centre of Indian Trade Unions, the United Trade Union Congress, the National Front of Indian Trade Unions—which are in turn linked to one of the many regional or national political parties. However, loyalties are fluid at all levels—shifting allegiances among the national politicians open the way for multiple splits and realignments, and the political events of the past 12 months appear to have accelerated the process of fragmentation.

The government is currently preparing what is hoped will be a major overhaul of existing labour legislation, in particular the Industrial Disputes Act of 1947, in the hope of pushing the unions towards greater unity. In July last year it set up a 30 member committee, including representatives of state and central government, industry and unions, to draw up guidelines for a comprehensive law on industrial relations. The Bangalore Watch Factory Labour Ministry sources say the legislation being drafted for machine tool workers in Bangalore, "in view of the excellent performance of the company in HMT chairman commented at the time.

"My colleagues on the Board and I can quite appreciate the sense of disappointment which would prevail among employees on this issue. I suppose we all have to make some sacrifice in the larger interest of our country." Earlier this month the HMT chairman added: "I personally felt a full bonus for all workers would have been justified, but we could not get the necessary Government permission."

The Janata Government has reinstated the compulsory 84 per cent minimum bonus, to be paid as a "deferred wage" but whether this can be satisfactorily enforced and whether it is practicable among companies genuinely running at a loss, remains to be seen.

The problem of low wages is likely to continue for years while unemployment remains high and much of industry continues to operate below capacity. Minimum wages have been fixed in all states but are often well below the recognised poverty line, and are not always honoured. The national poverty line quoted by Labour Department officials is based on a 1961 study, which adjusted to current prices, sets a minimum per capita income of Rs.60 (£4)—or Rs.300 per "average" family. Between 40 and 50 per cent. of the population gets less than this. At the bottom of the scale, the minimum daily wage for an unskilled agricultural labourer is as low as Rs.2 a day in some states; the highest daily minimum for a "highly skilled" labourer is Rs.13. But even this is not necessarily what the workers gets, even though he may sign for it. Reports of workers paying contractors commission of up to 80 per cent. are common though hard to substantiate. Government officials, while giving no figures, say the practice is not uncommon but hard to eradicate while

### Optimistic

This may be a little optimistic. The report details how the Committee members failed to agree on almost every specific point, and recommends little other than broad principles that there should be some procedure for identifying a negotiating agent for workers in collective bargaining—one the employers would have to recognise. But the proposition that support for this agent should come from the largest number of workers and be as broad-based as possible received on a large measure of agreement. Proposals to bind workers to any settlement concluded by their agent (to be elected in secret ballot) and endorsed by all workers, was "favoured by a large section of workers representatives" but presumably not by the majority.

Employers' representatives while welcoming the proposal for a single bargaining agent categorically rejected suggestions that workers should endorse agreements reached by their agent.

Similar differences are evident regarding proposals on dispute procedure, on an industrial relations commission, and a trade union registration. Many unionists, industrialists and government officials agree that the union movement's weakness is largely due to lack of leadership. Unions and unions are centred on personalities rather than ideologies and the few of these personalities have the strength to rally support beyond their own workshop. Until a stronger leadership emerges, there will be little effective pressure on government to produce the sweeping changes so obviously required.

Margaret van Hatter

FROM INDIA  
WITH QUALITY



It is a common mistake to think of India as a country of poverty and backwardness. In fact, India is a country of great diversity and richness. It has a long and glorious history, a rich cultural heritage, and a vibrant economy. India is a country of great potential, and it is our duty to ensure that this potential is fully realised.

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**Bata**

مکان العمل



# INDIA VII

India's trade performance over the past two years has been remarkable, although officials still fear that one bad crop could wipe out the current surplus. But exporters are still unhappy about the barriers the Government puts in their way, making it difficult to plan for the long term.

## Pattern of trade

INDIA HAS lived with trade deficits for so long since independence that the government still starry-eyed that for the second year running the country is likely to chalk up a small surplus on the visible account. The surprise is all the greater that it was only three years ago that imports nearly doubled in value as a result of the increase in oil prices leaving a ten per cent deficit of \$1.1bn. or the equivalent of almost a third of export earnings. The reaction of officials now to its turnabout is to fear that another Armageddon could strike the country—bad monsoons? another OPEC price rise?—and preach caution in dipping in the still swelling \$5bn. of reserves.

Behind the change lie two main factors. Imports have remained fairly stagnant in value for the last two years at an annual rate of just under 10 per cent, and look like remaining about the same during the current 1977-78 fiscal year. This reflects the general sluggishness of the economy as measured by purchases of machinery and raw materials abroad, and in turn India's capacity to manufacture what it needs. Relaxation of restrictions on imports of equipment and capital goods introduced since the last budget does seem to be having some effect. For though the April-September period—Indian trade statistics are notoriously slow to appear—the overall import level is the same as last year, increased purchases of capital goods and raw materials would largely seem to have made up for the suspension of government grain purchases from abroad which accounted for 25 per cent of total exports in the same period last year. The government is looking to a further expansion of exports next year with increased public expenditure, a pick up in

### Shopping

The areas in which India is shopping around for foreign capital goods—accounting for about 20 per cent of imports in 1976-77—include equipment for the oil and gas industry to develop production from Bombay High, power generators, instrumentation and control equipment, military hardware and civilian aircraft. In the private sector, the pace of replacement of existing plant depends in part on whether the Government will permit investment in such industries as footwear and textiles. Both are export sectors but the Government is limiting expansion so as to encourage small-scale enterprises.

Britain's share of this market has been static at best. Exports were up 41 per cent to \$228m. in the first seven months of 1977, compared with the same period in 1976, but this was largely due to unexpectedly large shipments of industrial diamonds. Indian industrialists say that the Germans, the French and the Americans are quicker to snap up big orders

MAIN ITEMS OF FOREIGN TRADE (Rs. m.)					
Exports (domestic)	1974-75	1975-76	Imports	1974-75	1975-76
Jute manufactures	2,968	2,453	Cereals and cereal preparations	7,638	13,383
Tea	2,281	2,368	Raw cotton	274	282
Cotton fabrics	1,589	1,567	Petroleum and products	11,569	12,257
Iron ore	1,604	2,138	Chemicals	8,274	7,851
Oil cakes	960	861	of which:		
Leather and leather manufactures (excluding footwear)	1,450	2,013	fertilisers	5,589	5,502
Cashew kernels	1,182	981	Iron and steel	4,237	3,056
Tobacco	832	984	Non-ferrous metals	1,787	978
Engineering goods	3,567	4,087	Machinery other than electric	4,035	5,645
Sugar	3,390	4,723	Electric machinery	1,610	1,872
Iron and steel	211	683	Transport equipment	1,312	1,201
Chemicals and allied products	929	845			
Fish and fish preparations	682	1,268			
Cotton apparel	969	1,449			
Handicrafts	1,866	2,241			
Total (including others)	33,288	39,416	Total (including others)	45,188	51,578

Source: Economic Survey 1976-77.

arising from multilaterally funded aid projects or to enter into technical collaboration agreements.

The other factor behind the improved trade balance is the rise in exports which has been marking up an average increase of 7 per cent a year in volume for the past seven years against an historic rate of 4 per cent. The 27 per cent increase in value to \$5.9bn. is expected to be followed this year by a more modest 11 per cent. The slowdown in world economies, fewer orders from the Gulf States which have too many projects on their plate, power cuts and strikes that have disrupted production, Government restrictions on the export of cement and sugar which are in short supply domestically—have all played a part in diminishing the rate of growth.

In hoping to sustain this

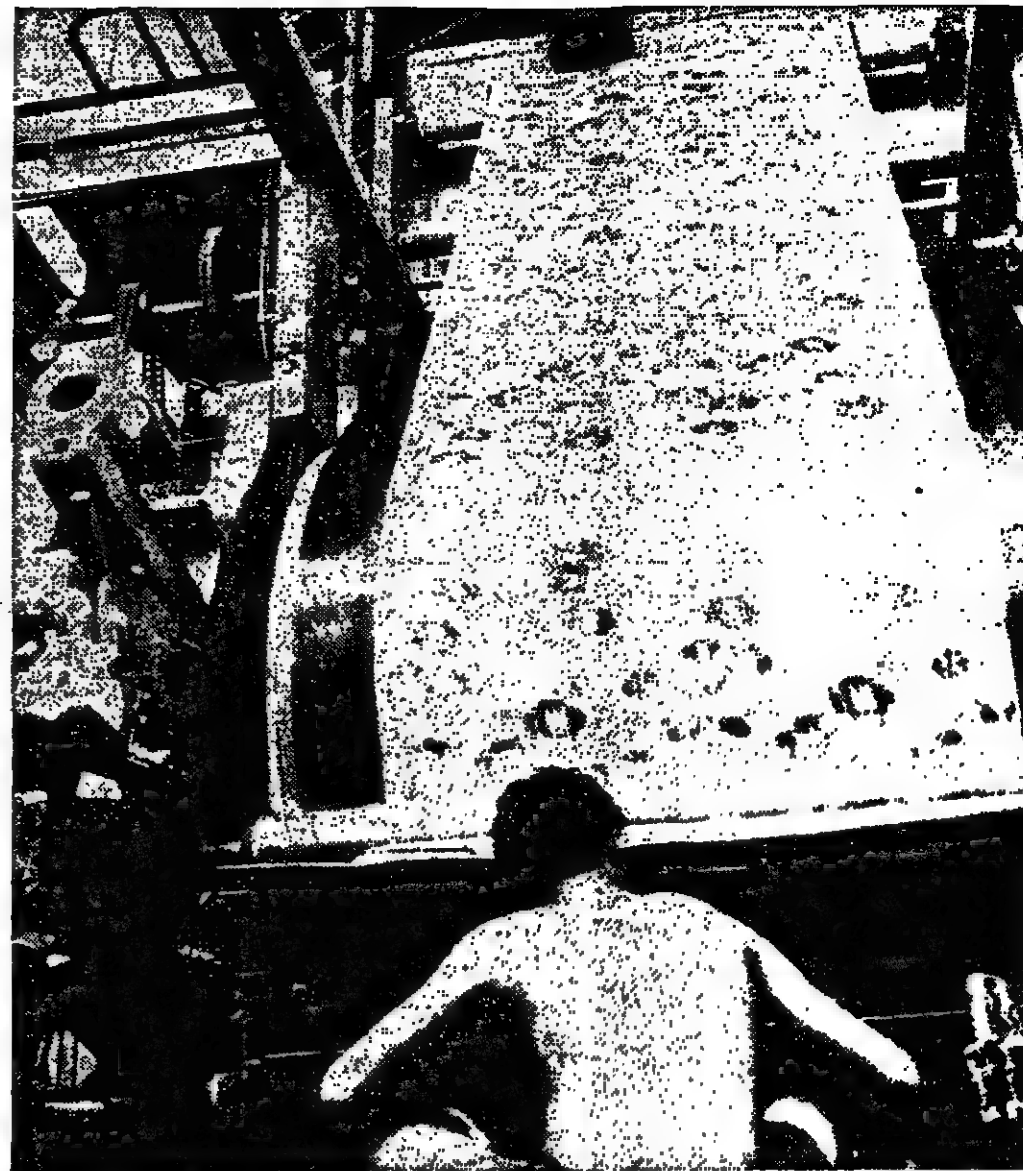
level, the Government is countering on the lengthening list of items in its export basket which cushion its foreign exchange earnings against sharp swings in any one product. Particularly striking has been the expansion of sales of manufactured goods and capital equipment—56 per cent of total exports last year. Textiles (now slapped down by the protectionist restrictions of the new multilateral agreement) have so far dominated sales, but engineering goods accounted for 60 per cent of the growth of exports last year.

This rapid build-up should mark the emergence of India as one of the new super competitive industrial States, pushing hard on the doors of world markets, but there is no sign of this as yet. Technical skills, quality of product (in cases where firms bother) and price are not the problem. In the major indus-

trialised markets and the Middle East, the best Indian engineering companies have shown that they can compete on this score. Where they fall down is in the absence of the back-up of forced marketing, promptness of delivery, support from the Government, the financial institutions, the insurance and shipping companies—through the combination of which the Koreans mount their drive to penetrate a market. Officials have said that this is the greatest weakness of Indian exporting.

### Fatalistic

They equally take a fatalistic attitude towards it, not helped by arguments advanced by Janata leaders that exporting is a liability to the economy because of the cost of government subsidies.



Cotton textiles are one of India's major exports. Here a worker at New India Cloth Mills checks a printing loom.

"We are very, very backward compared with the aggressive exporting nations," said a senior official concerned with trade, "but we don't believe in export-led growth." The answer to that is that India cannot afford to throw up any opportunity of growth.

The major public sector companies (that is, Bharat Heavy Electricals, Hindustan Machine Tools) and about 10-15 of the larger private houses (that is, Tata, Birla, Kirloskar) have the muscle to mount a sustained export campaign on their own data. The small companies are dependent on the periodic sallies of trade delegations (probably paid for by the European Commission if they are to the EEC) and participation in trade fairs. But almost all are guilty of trying to export on a shoestring budget and suffer loss of sales for it.

Because of the protection they get, Indian companies look to the domestic market to reap their profits. Too often they turn to exporting for one or more of the following reasons: surplus capacity (the iron and steel industry); slack domestic sales but persistent overseas buyers (sports goods); cash incentives offered by the Government; to gain preferential treatment in entitlement to imports (now less of a consideration). The more enterprising engineering companies have been nosing into the European and American markets to establish the credibility of their brand name with a view to sales in the Middle East, Africa and South East Asia; and to gain technical know-how through collaboration agreements. The exports over which the engineering industry has most reason to crow are the

growing number of turnkey projects, contracting deals and consultancy agreements in the Middle East.

For its part, the Government has done as much to impede exporters as to help them. It supports exports when domestic demand is slack but forbids them if shortages appear, thus preventing any long-term planning. The private sector is up against limitations on the size of companies and their production capacity which are an obstacle to their overseas expansion. Establishing overseas offices or investing abroad can run into exchange control difficulties. These are hurdles unlikely to be cleared by reducing the bureaucratic procedures that the Alexander Committee is likely to recommend.

D.H.

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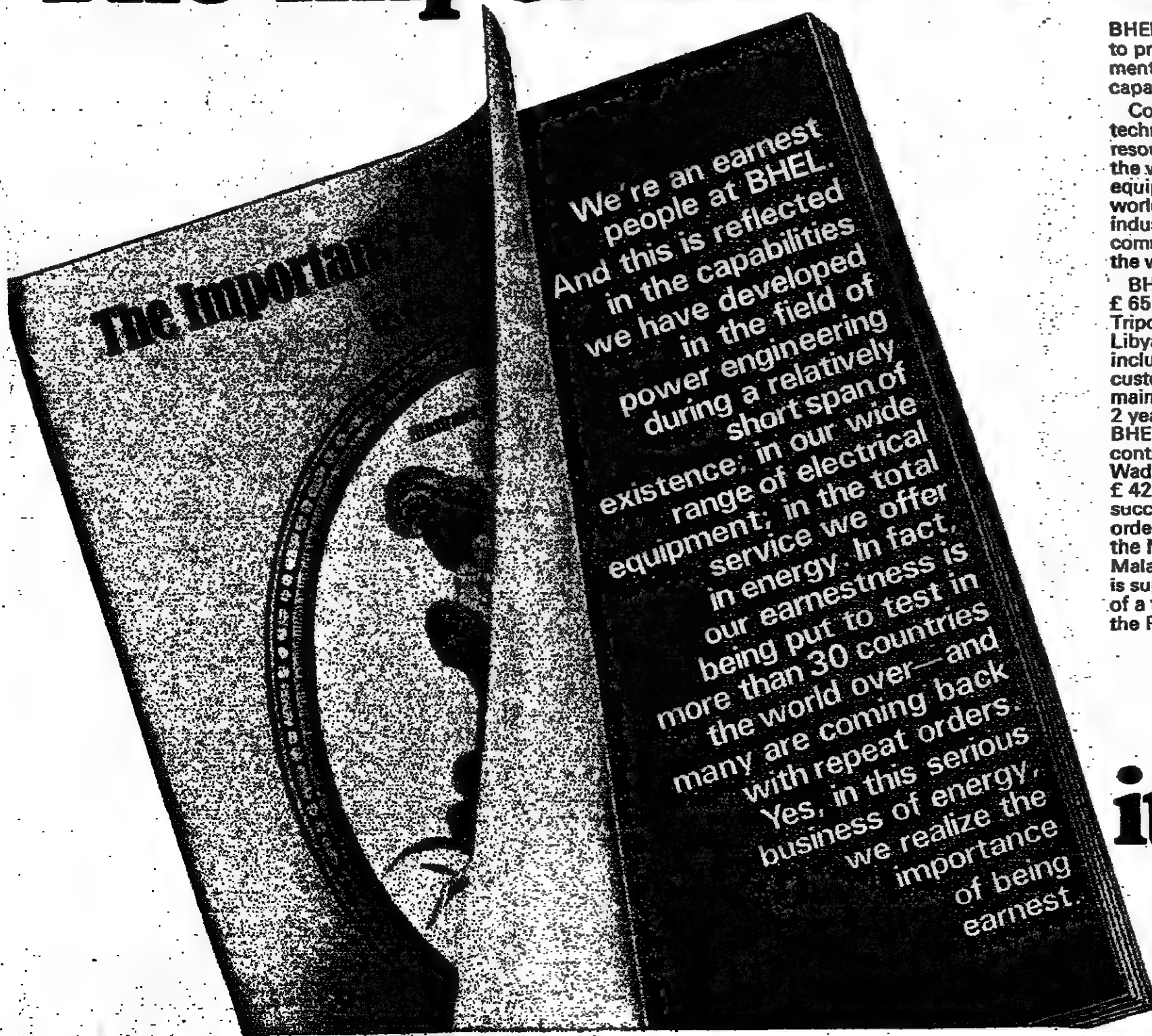


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# The importance of being earnest





## INDIA VIII

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India's "green revolution" has so far failed to do much towards diversifying the economy or relieving the problem of unemployment. Because the manufacturing sector has not grown fast enough, the rural sector will still have to absorb many of the surplus population.

## Agriculture

THE JANATA Party began its term of office with a great deal of talk, roundly condemning the "wrong turn" towards large-scale industry taken by Jawaharlal Nehru. India, as Gandhi recognised, is an agricultural nation, they said. Heavy industry is inappropriate, cottage industry is more "Indian."

From now on, they said, agricultural development will get priority. In the intervening ten months there has been a great deal more of this sort of talk but nothing to suggest that agricultural policy under Janata will be significantly different from what it was under Congress, or that the benefits of development will be more evenly distributed. And although the Government's general ideas have been widely welcomed by Indians and international aid agencies alike, in the absence of any specific proposals no one seems quite sure what they actually mean.

The broad strategy of the past 30 years, emphasising higher output of foodgrains through higher input—of fertilisers, power, irrigation, credit and education—seems likely to continue. The Government will, probably boost the level of input, particularly with regard to irrigation, though the spectacular successes of the "Green Revolution" of the early 1960s fact that the benefits of most

are unlikely to be repeated current development programmes, admirable though they may be, increase with the size of the farmer's assets and cease before reaching the landless.

But the Government's fundamental aim—to increase domestic demand for manufactures by boosting the purchasing power of the predominantly rural population—appears likely to be frustrated for a very long time by two major obstacles: hostility, particularly since the Emergency, to family planning, and the need to absorb a large number of unemployed or under-employed. Both of these factors will ensure a rise in rural population density sufficient to offset most of the benefits of higher production.

The Government's credibility on such issues as acceleration of land reform (to break down and redistribute larger holdings) and improvement of the lot of the landless agricultural labourer has yet to be tested. The practicality of its 7 per cent annual growth target for the economy, and of its plan to generate employment in cottage industry has yet to be established.

However, the clouds of neo-Gandhian philosophy emanating from Delhi have not obscured the sound political reasoning behind the policy statements, clearly aimed at the eight out of every 10 Indian voters who live outside the cities—or the Revolution of the early 1960s fact that the benefits of most

may be, increase with the size of the farmer's assets and cease before reaching the landless. But the bigger farmers tend to shape rural opinion, both in politics and in the acceptance of development programmes, so if many of these programmes barely touch them, it is unlikely to affect the ballot box.

### Support

Hence the price support for agricultural products which most helps those with the most to sell, and co-operative projects which do little for those who cannot afford to buy or

feed cows. Intensification of grain and sugar cane production should at least boost demand for labour, but may not materially alter the lot of the labourer until there is some effective guarantee that he will be paid at least the statutory minimum wage (as low as Rs.3 or 15p a day in some States). If higher production is to raise rural purchasing power on a large scale, a more even distribution of the increase in wealth will be essential.

Raising production will, as is recognised in Delhi, require not only a higher level of invest-

ment, public and private, but also a more effective use of the funds available. Massive public expenditure in recent years on irrigation, the most important single factor in rural development, has remained tied up in uncompleted projects for long periods simply because too many were begun simultaneously. And the benefits of such projects, once completed, have all too often remained unrealised because farmers have not yet built their own irrigation channels or installed the pumps needed to distribute the water to which public projects have merely provided access.

The area of land with unused access to irrigation facilities is expected to reach 2.5m. hectares by 1980.

To stimulate private investment steps have been taken to increase credit available to farmers, and to guarantee a return through the Government's grain procurement programme, which acts as a price support in times of surplus. The first of these has been relatively successful, albeit more so among the medium to big landowners; results of the second have been mixed.

In the wheat-producing region of Punjab, where much of the Government's purchasing has taken place in the past decade, fertilizer consumption and private expenditure on irrigation have risen appreciably. This has led in turn to a rise in wheat output to 8.2m. tonnes last year from 1.9m. in 1966. The number of workers employed (many of them admittedly seasonal) has tripled in that time and wages have risen similarly (during the harvesting season at least). But the Punjab is the most successfully developed agricultural region in India—in provinces where poor soil structure or lack of water limit potential returns on investment, such results cannot be expected.

The procurement system, which costs the Government an estimated £300m. a year, helps producers only in times of surplus and most consumers to only

a small extent if at all. It is currently responsible for the accumulation of an 18m. tonnes stockpile of foodgrains, possibly a little inappropriate in a country where millions go hungry. The Government is not unaware of the incongruity and does what it can for the consumer through its network of fair price shops where rice, wheat, sugar and certain other basic food products are sold at prices slightly above the procurement price and usually, but not always, a little below the market price.

But it can be argued that the Government, in fixing a procurement price is, in effect, defining a "surplus" by limiting the consumption of the poorest. Secondly, more of its shops are situated in urban and semi-urban areas than in the 100,000 rural villages where almost 85 per cent of the population lives. Thus price support, which in Europe usually supports a minority of farmers amid a majority of urban consumers, becomes in India a transfer of funds from landless to landed.

### Lifting

In non-surplus years, which at present are still in the majority, market prices rise and Government procurement drops—and with it the impact on consumers. The Janata Party, in lifting restrictions on the free movement of rice, has permitted an outflow from lower price surplus areas to the higher price, mostly urban, shortage areas. Though this has reduced hoarding and gone some way towards levelling prices (it will do so more effectively when transport and distribution systems improve), it has also led to periodic shortages in rural areas and has pre-empted much of the Government procurement in what used to be chronic surplus areas.

Agricultural development in India is an area with few easy options. Planners constantly face dilemmas where it is hard to see which is the lesser of two

evils. Mistakes are inevitable and because of the large numbers of people affected and the difficulty of reversing the cumbersome bureaucratic machinery, some mistakes inevitably leave large and slow-healing scars.

The need for further agricultural development in India is incontrovertible but at this stage three questions are perhaps pertinent. Can long-term investment in agriculture be allowed to slow? Will easing unemployment by raising the ratio of labour to land under cultivation prove a blind alley, cutting off access to productivity increases, possibly under an alternative strategy? Finally, will growth in agriculture spread to other sectors?

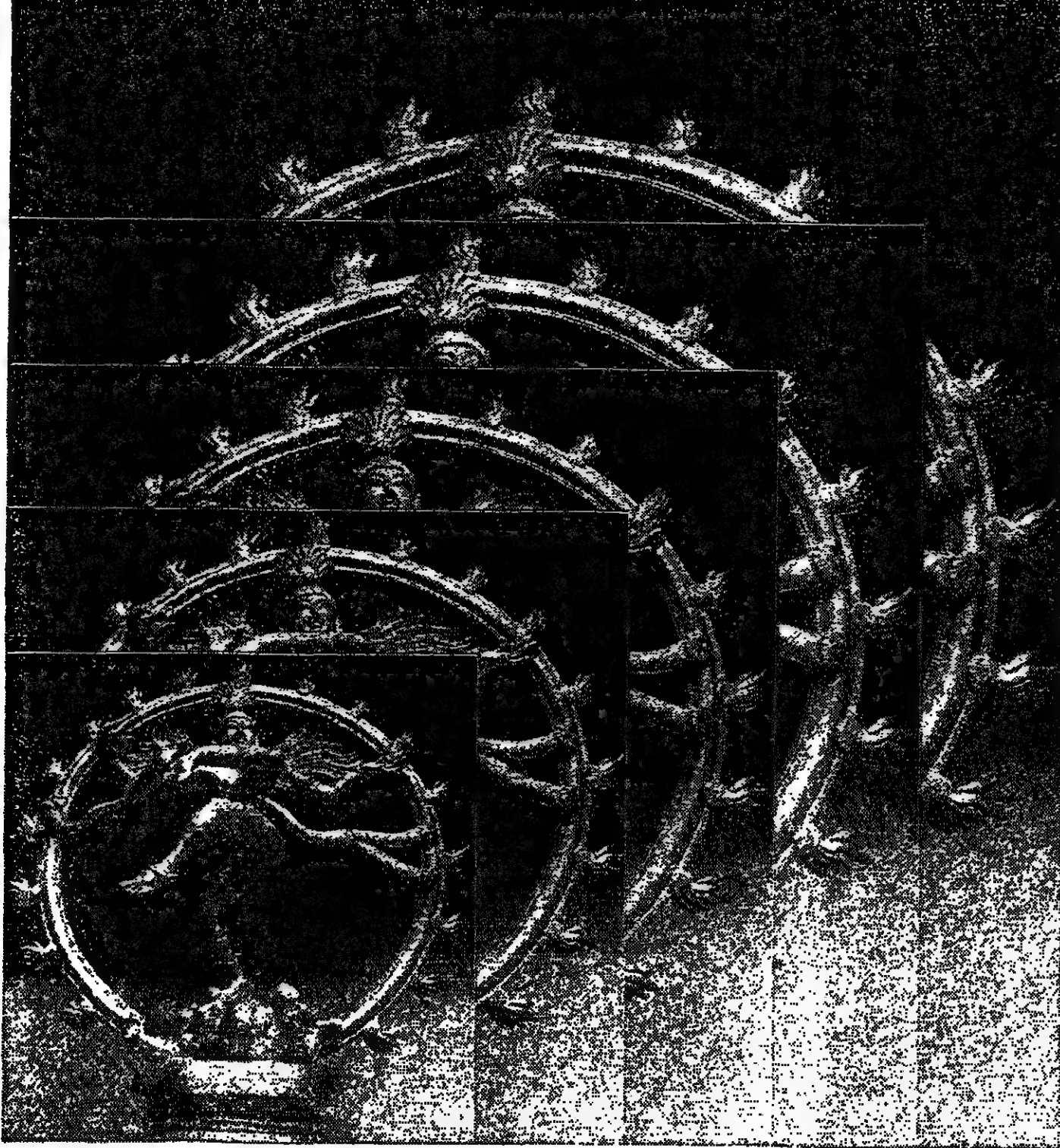
On this last question, a recent study by Professor G. S. Bhatia of the Jawaharlal Nehru University's Centre of Regional Development Studies, comes to a disturbing conclusion. Having analysed the impact of the "Green Revolution" on the Punjab, Professor Bhatia comments: "The green revolution has failed to bring about any diversification of the economy. In fact the reverse seems to be happening. A natural process of growth should imply that increases in agricultural income are followed up by rapid increases in manufacturing and other sectors. But the Green Revolution has remained an island unto itself. It has failed to spread to other sectors of the economy. Consequently the reserve army of under-employed and unemployed, both in agriculture and in the secondary and tertiary sectors, have tended to shift to agriculture, initiating a reverse process of development."

"Until and unless a major attempt is made to diversify the economy through a massive programme of investment for industrialisation," he concludes, "the gains of the Green Revolution will be completely dissipated."

Margaret van Hattem

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مكتبة من الكتب



## INDIA IX

Indian industry is plagued with problems. The Government blames business for lack of investment while industrialists point to labour unrest, power shortages and Government restraints as the cause of the trouble.

# Industrial development

INDIA'S MANUFACTURES are worth roughly Rs.170bn. (about £12bn.) in 1977, contributing just over 20 per cent. of the Gross National Product. President Carter noted with some surprise during his visit to New Delhi earlier this month, this made India the world's tenth industrial nation and a considerable force to reckon with as a competitor to the developed countries.

Yet Indian industry is plagued with problems and despite the impressive progress of the past three decades growth has been erratic and continues to be uncertain. There is considerable controversy over the reasons for the near-stagnation in investment and production.

The Government blames entrepreneurs for failing to make investments or take advantage of fiscal and other incentives. Industrialists, wary of policy changes at a time of considerable labour unrest and power shortages, point to demand and other constraints that have operated relentlessly or the past few years.

Industrial production in 1976 rose by over 10 per cent. over the previous year, but this is deceptive since the comparison is with a particularly bad year. Indications are that the rise in 1977 will not be more than 5 per cent. and may even work out at less. This is because the factors in operation from April to September—when the rise in production was just 4 per cent.—remain, and the sluggishness in investment and production continues.

### Census

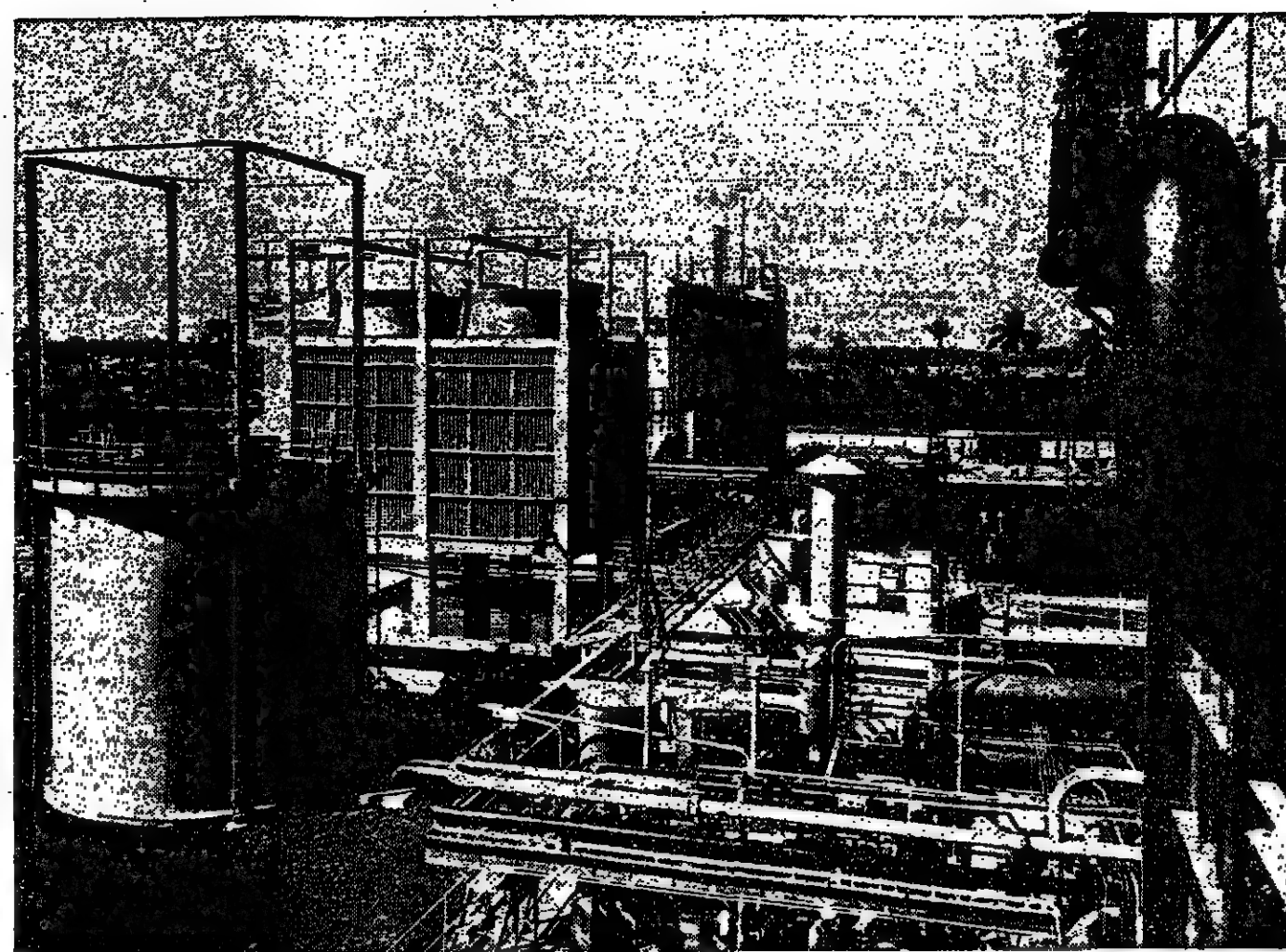
A census of small industry has been completed only recently and is not reflected in official figures. It faces a number of problems, including those common to its larger counterparts, but its contribution to production must be substantial. Briefly, industry faces crippling power shortages and labour unrest. The first is countrywide and there is no immediate prospect of improvement. It has led to unforeseen cuts in production and forced a large number of industries to work well below capacity even though they had orders to fill. Labour unrest is not so widespread but has also severely affected production in many areas, notably in Maharashtra. Both have aggravated the perennial problems of finding working capital and adequate raw materials, which combine to make Indian industry's prospects uncertain.

Under-utilisation of capacity is its origins in the heavy industrialisation initiated in the 1950s without any real relationship to long-term demand considerations—and in Mr. Nehru's dream of an industrialised country, that the Russians helped to fulfil. The result was a proliferation of public sector heavy engineering plants set up with Soviet assistance, since he fell in demand many have had chronic surplus capacity. Some still do—the Heavy Engineering Corporation is the prime example—and continue to make losses, although diversification has helped others. More recently, it is demand constraints that have caused surplus capacity; the result has been a mixed bag and recent improvements have mainly been the result of a vigorous export drive.

The iron and steel industry has fared particularly badly and utilisation ratings continue to deteriorate. Cast iron castings, steel rolls and precision investment castings are reported working below 45 per cent. of capacity and some units in the sector are in difficulties because of falling demand resulting from severe cuts in public expenditure or product substitution.

Non-ferrous metals, on the other hand, experienced substantial improvement in capacity utilisation, mainly because of better power supply and relatively easy availability of imported and indigenous inputs.

Other engineering units, particularly in the heavy mechanical sector, have suffered. The decline in construction activity, for instance,



India's first polythene plant at Rishra near Calcutta was built by the Alkali and Chemical Corporation of India. It produces Alkathene, the ICI version of polythene.

hit steel structural, bright bars, steel tubes and cranes. Among the light mechanical engineering units, drum containers, oil barrels and bitumen drums operated at the miserably low level of 23.6 per cent. of capacity. The motor industry has still to emerge from the slump that followed the 1974 oil crisis and one of the three car plants has been forced to close down.

On the other hand, a marked improvement has been noted in industrial machinery. While many units reported capacity utilisation of between 70 and 80 per cent., conveyors and material handling equipment registered 110 per cent. last year; air separation plants went up to 121 per cent. The electrical industries group recorded impressive gains—notably in electric fans, industrial cooling towers and dust collectors (although consumer durables like air conditioners and refrigerators remain slack). Some electronic and telecommunications industries like radio sets and television, which had been continuously declining, have improved considerably since 1976.

The textile industry, which remains in the doldrums for a variety of reasons, is an example of another aspect of Indian industry—the growing "sickness" which has forced the Government to step in and take over managements so as to prevent closures and unemployment. Textiles has a heavy weightage in the production index and its vicissitudes have an important bearing on both industry and the economy as a whole. The magnitude of this became evident when 108 "sick" textile mills employing 160,000 were nationalised in 1974. The public sector National Textile Corporation is running these, trying to put the obsolete mills back on their feet, but its heavy losses are eroding the performance of the public sector as a whole.

### Incidence

The incidence of "sickness" is high in such sectors as textiles, jute, sugar and engineering. Curiously enough, even in the small scale sector the proportion is high and this cannot be nursed back to health by the Government as in the case of large units, the takeover of which often becomes inevitable because of the unemployment it would involve. In the case of small units, it would involve merely insolvency of entrepreneurs, although the loss would be national. The reasons for "sickness" are many, starting with obsolescence and bad management in the case of textiles, and carrying on through problems of "cash flow" because of the credit squeeze, a low equity base, pricing policies, marketing and the like.

Rehabilitation of the "sick" units is causing anxiety to the Government, which is unwilling to take on losing concerns. It has offered concessions of various kinds, including fiscal incentives, to "healthy" units if they adopt the "sick" by amalgamation. This scheme has not yet got off the ground and many studies have been initiated to deal with this major and growing problem. These

are expected to result in soft loans from the banks and further encouragement of mergers. The last big problem facing industry is that of raw materials, many of which tend to become scarce when demand for them increases even slightly. Steel is an example of an item that was in short supply just a couple of years ago and yet is being exported now. This is a clear case of the misuse of administrative procedures and controls, that industrialists constantly complain about. Prices of raw materials also fluctuate violently. There have been instances of imported raw material prices being actually higher than the finished product. Shortages are mainly due to creation of vested interests and inadequate implementation of the policy of controls, a source of much harassment and corruption.

### Position

The public sector, which dominates Indian industry because of its commanding position in key areas, also faces these problems because of lack of co-ordination. But in many ways the public sector has come of age. Of the 130 public sector units—most of them large and capital-intensive—there are still some making losses, but most of the giants have come out of the red and collectively the public sector is showing profits (or, to use the official euphemism, generating resources for development).

The profits would be higher but for unrealistic pricing policies that public sector managements complain about. Coal India, which owns the bulk of mines in the country, would considerably reduce its losses if allowed more reasonable prices, as would the steel and fertiliser plants.

Public sector units have made impressive strides in exports since they have both the capacity and the resources to back them. In fact some would not have been able to do as well as they have in the past couple of years without large export orders. Bharat Heavy Electricals, with the third highest sales turnover in the country and a name to reckon with internationally in power supply equipment, is the prime example. Similar performances have been shown by Hindustan Machine Tools and some construction and engineering units which are pooling their resources to bid for contracts abroad.

The public sector will remain the dominant factor in Indian industry since the new Government has endorsed this policy and it is now expected to enter the consumer goods sector in a big way. It is big enough as it is. The 130 units have an investment of more than Rs.105bn. (about £8bn.) and with a turnover that is expected to touch Rs.150bn. next year (not all of this is in manufactures). Their combined profits are estimated at around Rs.10bn. last year, a spectacular performance that is due as much to better capacity utilisation and management as to inflation—despite the recessionary conditions that still affect all of Indian industry.

K.K.S.

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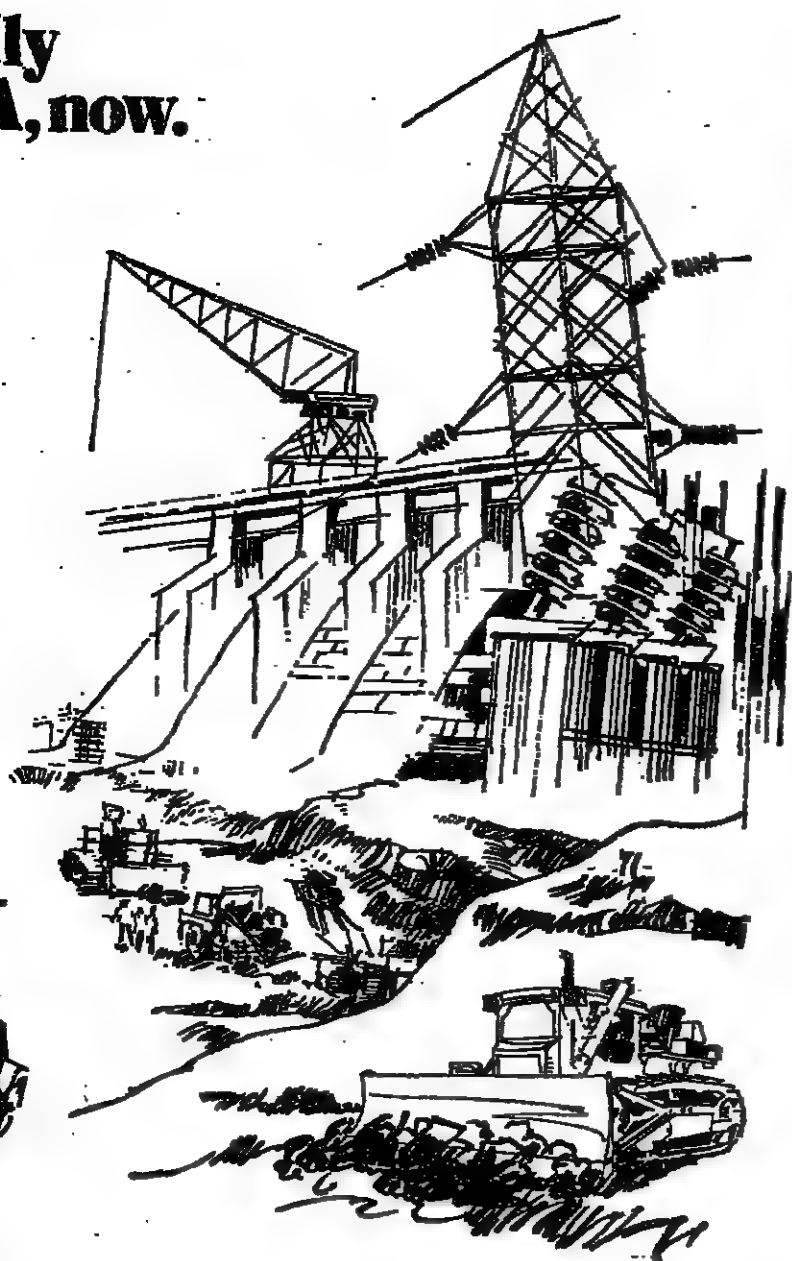


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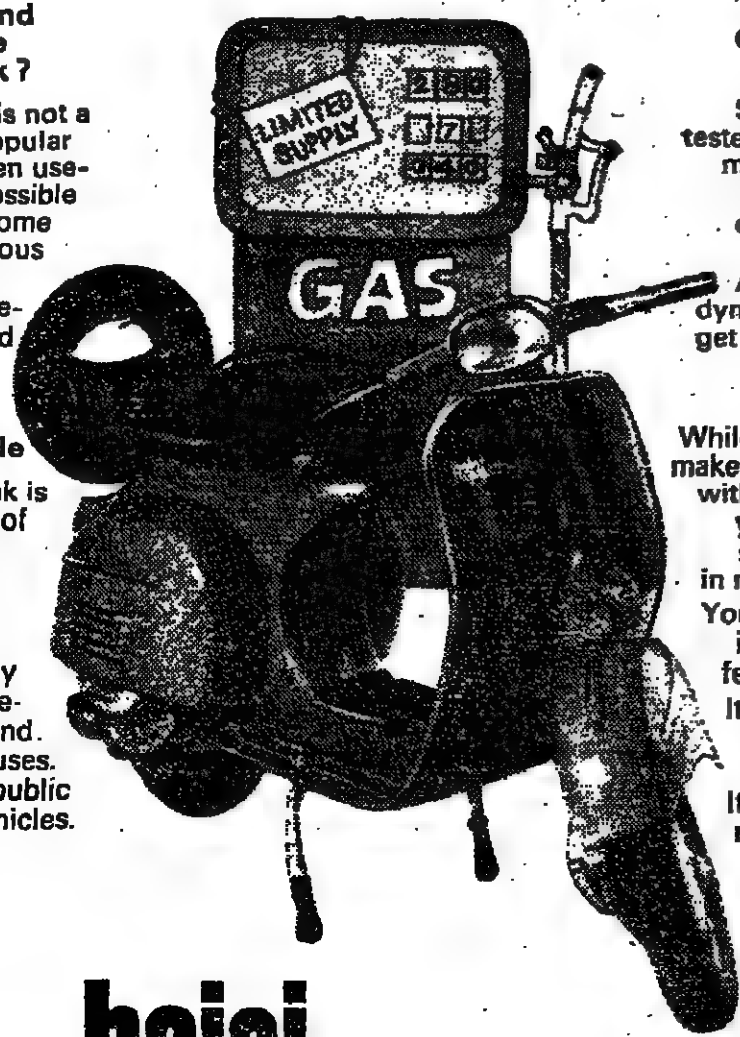
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THE JANATA Government attributes the poor performance of the family planning programme since it took over to the "lingering fear psychosis" induced by the Emergency's crash sterilisation campaign. But this is hardly the whole truth.

The statements of both the Prime Minister and the Minister responsible make it abundantly clear that their own personal convictions about the value of birth control, and modern medicine generally, are somewhat shaky. The reversion to orthodox Indian traditions and values, which characterises many other aspects of Janata thinking, is reflected in the Government's promise to rely much more on indigenous systems of medicine, and to integrate them with an Indianised system of modern medicine.

The Prime Minister's faith in the "natural methods of treatment," on which he himself has depended for the past sixty years, is well known. Raj Narain has on more than one occasion stressed the usefulness of celibacy and self-control. "Brahmacharya (abstinence) and self-control are methods which have been used over the ages and I see no reason why in our anxiety to make use of modern science we should neglect these methods. I attach high values to them and I would plead that full use may be made of the motivational media for their propagation." Sterilisation is said to be against "nature" and "Indian culture."

It is the extrapolation of this personal attitude of mind to the political and official level (as also in the case of prohibition) that explains the present Government's kid glove handling of family planning, and its reluctance to undertake an imaginative and effective fertility control programme. Such personal views and their public reiteration are hardly conducive to raising the low morale of programme workers or to refashioning the reputation of birth control, both seriously damaged by the Emergency.

### Vehement

In the past two years few things have brought India more into the international public eye than the family planning policies of Mrs. Gandhi's Government. Her son Sanjay's vehement support for an authoritarian fertility control programme, in complete disregard of the Indian Government's traditional commitment to voluntary persuasion, resulted in the adoption of policies which led to the sterilisation of 10.5m. people (mostly men) during the Emergency period of July 1975 to March 1977.

This phenomenal "success" of the Government's family planning programme, which in its twenty-five year history had never managed to motivate more than 2m. to 3m. sterilisations a year, is now generally attributed to the unprecedented use of coercion and economic blackmail by Government officials and the police towards the vulnerable sections of the urban and rural populations—the poor, the Harijans, the slum dwellers, the captive Government employees and so on. Nor was this simply a case of over-enthusiastic officials getting out of control: the National Population Policy of April 1976 endorsed the use of "much more stringent measures" to control fertility, and even provided



A farmer with his family near Delhi.

central sanction for the compulsory sterilisation legislation under way in many States. The humiliating and largely unexpected defeat of Mrs. Gandhi and the Congress in the March 1977 elections also saw the exit of the coercive sterilisation and urban slum clearance policies of the Emergency. As the post mortem on the excesses (family planning and otherwise) of the Emergency continues, the full horrors of the sterilisation campaign and its victims are now being revealed. Meanwhile Morarji Desai's new Janata Government has appointed Raj Narain, the man who so outstandingly defeated Mrs. Gandhi in the elections in her home constituency, as Minister of Health and Family Planning—a shrewd political move, to cool the anti-family planning hysteria.

One of the earliest concerns of the new Government was to publicise its firm repudiation of the ruthless sterilisation policies adopted under Mrs. Gandhi, and even to offer compensation of Rs.5,000 (£333) to each person forcibly sterilised.

At the same time it has repeatedly acknowledged its commitment to reducing the birth rate. Its June 1977 policy statement stresses the "vital importance of family planning," and the Government's "total commitment" to a small family norm. It laboriously emphasises that "family planning will be pursued vigorously as a wholly voluntary programme, and as an integral part of a comprehensive policy covering education, health, maternity and child care, women's rights and nutrition."

To emphasise this change in the public image of birth control, and its integration with the wider aspects of family life, "family welfare" has replaced "family planning" in the official terminology, and the Ministry has been rechristened accordingly.

The integration of family planning and health, in particular maternal and child health, as a basis for promoting the fertility control programme is in principle sound, but not new. It has been reiterated, with varying degrees of intensity, as the theoretical foundation of the family planning programme ever since its inception in the early 1950s.

In practice, however, the health and family planning administrative hierarchies for the most part worked independently of each other. Operationally

family planning, nutrition, malaria and smallpox eradication, tuberculosis and leprosy control. The targets here specify one such male and female worker per 5,000 population.

Despite this general expression of support for voluntary birth control and the promotion of family welfare, however, very little has specifically been done so far by the new Government to rehabilitate the family planning programme, or to restore the political status and vitality that it needs. Admittedly, the new Government is still young, the wounds inflicted by the Emergency are still unhealed, and the birth control programme must keep a low profile.

### Detailed

But what was urgently needed in the circumstances was a carefully drafted and meticulously detailed plan of action, aimed at re-establishing the credibility of family planning and the speedy resumption of motivational and contraceptive services. Present policy documents abound in generalities, but are conspicuous for their lack of a detailed programme of action on the family planning front.

Meanwhile, under this lame duck programme, contraceptive acceptance rates have shown few signs of a revival from the low levels to which they had fallen during the post-Emergency phase, nor are there any indications of an upward trend in the near future either. During the first six months of Janata rule (April to September, 1977), sterilisation acceptors numbered more than one-tenth and IUD acceptors less than half of the corresponding figures of the previous year.

Birth control publicity through the mass media has virtually disappeared, and the personal motivation campaign

CONTINUED ON NEXT PAGE

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## INDIA XI

With some laudable exceptions, India's Press cannot look back on its record of performance during the Emergency with much pride or satisfaction. But now that the subsequent witch-hunt has slowed down, there is a breathing space in which to resolve differences.

# The Press

THE TRADITIONS of a free press are (after an independent judiciary) perhaps the most important of all the legacies of British India. And it is no accident that when Mrs. Indira Gandhi wished to impose an authoritarian regime it was the newspapers and the courts which were obliged to bear the brunt.

Under Mr. Desai's Janata government the pressure has been relaxed and India's press—12,000 or so publications in 16 different languages—have returned to their normal state of querulous serenity. But the memory of the last Gandhi era, with its strict censorship, its intense pressure to tell untruths and their imprisonment of a number of realists under the security laws, is still very vivid. Questions and doubts of a fundamental nature about the Indian Press are being heard on a wider scale probably than at any time since Independence.

In the first place, Indian journalists are uncomfortably aware during the Emergency of their profession cut a distinctly heroic figure. There were many of individual acts of resistance, ingenious evasion, or defiance in the face of government pressure—like that of the Kashmiri editor who, on the authorities cut off his electricity supply in order to keep him from being broken down by his machine room wall of his machine room. One or two of the alter periodicals chose to go down rather than accept censorship; and some others jugged away with defensive lions in the courts. But as a role the Indian Press succumbed to its fate with remarkable docility.

During the Emergency itself, at its height, between June 1975 and a spring of last year—the of the management of the newspapers may appear to have

typical when they put up a notice in the office on the first day of the Emergency calling upon employees to obey the restriction "in letter and spirit."

This yawning gap between the grandiloquent pretensions of the Indian Press in the years since Independence and its recent performance in the Emergency has struck many educated Indians both within and outside the media very forcibly. The first reaction among journalists themselves, has, not surprisingly, been a period of post-Emergency backbiting and finger-pointing.

Having spent a good many hours at the end of last year discussing the Emergency with journalists in Delhi, Calcutta and Bombay as part of a delegation got together by the International Press Institute, I and my Western colleagues were made very much aware of the undercurrent of bitterness now dividing the profession.

It is natural that those who took a courageous line should be anxious to see that their "collaborationist" colleagues do not get away with it. But of course, it is those with the least quiet consciences about their behaviour who are keenest on a witchhunt. It was not pleasant to hear the editor of perhaps the most abject of the English language dailies during the Emergency now demanding a formal inquiry to "root out the guilty men" and explaining that his own fawning sycophancy for Mrs. Gandhi and her son had been a devilishly subtle attempt to ridicule her by excessive praise.

Nevertheless the main effect of this burst of self-criticism has been wholly beneficial. For as they ponder on what has happened, leading members of the Indian media have begun to realise that the weaknesses and the Emergency exposed so

ruthlessly have been present ever since 1948 and were indeed built into the fabric of the Indian system. A Press which had won its laurels in the campaign for independence from the British, had slipped all too easily into a role which was, for all its superficial criticalness, fundamentally subservient to the new Establishment of an independent India. In the long years of the Nehruvian ascendancy, fundamental criticism of the Government was unthinkable—and when corruption, graft and authoritarianism began to appear in the late 1960s on a serious scale the Press was too demoralised to ask the right questions.

Insofar as this state of mind is part of the Indian national character (as many Indians seem to suppose) there is probably not much to be done about it. But if, as I prefer to believe, the experience of what perversions a centralist government can achieve has jolted many Indian journalists into a new frame of mind, the question still remains what can be done to entrench some of the freedoms which were so nearly destroyed for ever.

It is not an easy one to answer. Both Mr. Desai and Mr. Advani have declared their undying devotion to the principles of a free Press and so far their practice has not belied their protestations. The trouble is that in India central and State governments possess unrivalled possibilities of pressure upon newspapers without any recourse to statute or formal diktat and while these exist there must always be a serious danger that they will be used, if not by the present regime, then by its successors.

The most obvious fact about the media in India is that radio and television are in state hands and in a country of vast dis-

tances, high poverty and low literacy, radio is by far the most potent means of communication. The written Press can therefore be outflanked in an appeal to the people by skilful manipulation and demagoguery. More direct forms of pressure, however, are even more potent. The size of the public sector means that government in effect controls more than 50 per cent. of any given newspaper's advertising revenue. What is more, advertising rates are strictly monitored and controlled by the government. No newspaper or printing machinery is manufactured in India and none can be imported without government licence. The possibilities for discriminatory patronage and pressure are boundless and were, indeed, exploited to great effect between 1970 and last year.

Another important factor in

the position is the pattern of ownership of the Indian Press. Most of the smaller local papers are family concerns operating in a limited area. Their small size makes them vulnerable to local government pressure. On the other hand, the large semi-national dailies tend increasingly to be part of large industrial empires whose owners' interests are so widespread that they are vulnerable to central government pressure on a broad front. For such men the subservience of their main newspaper may be a small price to pay to ensure that the rest of their activities are not hampered by government harassment. In the period after 1970, the concerns which tended to show most resistance were either very small periodicals with little to lose, or medium and large sized papers whose proprietor's interests were exclusively or predominantly in communications.

It will be seen from all this that the task of reforming the Indian Press and keeping it reformed depends heavily on factors outside the Press itself—and the most important of these must be the self-restraint of the Indian government in the face of all temptations to behave in a contrary fashion. Whether in the long run, such self-restraint can be relied upon will depend, in turn, upon the balance between two contrary forces. One is the sheer diversity of India itself which dilutes the power of central government and provides both an opportunity and a justification in the Indian context for a free and diverse Press. The opposite

force is that of imperious politicians like Mrs. Gandhi who wish to impose order and efficiency upon Indian chaos and will try to brush aside anything—including the criticisms of the Press—which stands in their way. Most observers would probably predict that Indian diversity, which has frustrated autocrats from Alexander the Great to Lord Curzon for more than 2,000 years, is unlikely to be a pushover for anyone in the foreseeable future. It would follow that within the crevices between the building blocks of such a vast and loosely constructed edifice a luxuriant and diverse Press will continue to flourish. The quality of that Press, however, and its ability to withstand what are likely to be frequent assaults from the autocratic tendency must depend upon its own efforts and here there is—as many Indian journalists have now begun to realise—much to be done.

## Links

For one thing, the links between the Press and its public badly need strengthening. The fact that, although the total circulation of all Indian newspapers and periodicals tops 30m, there was so little public outcry at the Press provisions that even the Emergency suggests that even among the educated classes and the elite a free Press is not generally regarded as an indispensable part of the community. And frankly one is not surprised. I am not in a position to judge the vernacular Press, but an outsider reading the

English Press finds the tone often shrill and factional, the reporting frequently slipshod and biased and the appearance unadventurous to the last degree. The best of Indian journalism is as good as anything in the world, but the best is very thinly spread.

In a country like India with widely varying educational standards there is a lot to be said, on the face of it, for schools of journalism to raise professional standards, yet this is a development still in its infancy. The Press Council with which Mrs. Gandhi's Government dissolved has not yet been reconstituted and was in any case something of a broken reed because there was no real desire on the part of the proprietors to make it work.

Mr. Advani, announcing his intention the other day to set up a new Commission on the Press, quoted with approval a tag from the NPA's evidence to the British Royal Commission on the Press last year: "a newspaper is a piece of private property with public responsibilities." In India, the trouble is that the tension between these two poles is of a peculiar, circular kind in which State and Fourth Estate chase each other's tails. Now that this frantic roundabout has slowed down for the moment there is a chance for thoughtful Indian journalists to seize the opportunity to put the whole debate on a different footing. There are some signs that this is happening. But the pause may not be very prolonged and there is no time to be lost.

David Watt

## Family

CONTINUED FROM PREVIOUS PAGE

using programme officials is noticeably non-existent. Despite the liberalisation of the abortion laws in 1971, the procedures for registering approved clinics are so cumbersome that there are only 2,000 registered abortion clinics in the country, and only about 200,000 of the estimated 4m. abortions each year are legally induced.

Moreover, although the proposed integration of health and family planning is undoubtedly a step forward, the wisdom of disbanding altogether the specialised cadre of family planning workers and the programme as a separate entity is questionable.

India has an estimated population of 815m., dispersed over an area of 3.3m. sq. km. Given the shortage of human and material resources, and the innumerable logistical difficulties in establishing a comprehensive health programme on a national scale, the Government's target of recruiting, training and supplying 600,000 community health workers and 250,000 multi-purpose workers is unlikely to be achieved in the near future. Even if it is, the magnitude of the problem and the multifarious duties the workers are expected to perform mean that limited resources will unavoidably be spread very thin, and the scope for promoting contraception among the country's 108m. reproducing couples will be minimal.

Meanwhile, India's population continues to grow by more than 12m. a year. With the marginal decline in fertility of the last decade more than offset by a faster decline in mortality, the population growth rate has increased to 2.3 per cent. per annum. If this growth rate continues, India will have a population of approximately 1bn. by the turn of the century. Even those projections based on a more optimistic view of declining fertility show an alarming growth in numbers (for the demographic reason that the enormous generations of future parents are already

born, so that even if their individual fertility is lower than at present, the total number of births and hence the birth rate will remain high).

The demographic profile and projections for India leave no room for complacency or political platitudes. The blunders of the Emergency should not be allowed to detract from the critical urgency of a humane but effective fertility control programme. The sentiments expressed in this regard by the Janata Government sound laudable enough, but up to now their practical proposals have been neither adequate, nor particularly relevant.

Veena Soni

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## INDIA XII

Indians tend to adopt an ambivalent attitude towards the law of the land and the men who enforce it. But the general rule is that the judiciary is respected, and the conflict between it and Parliament on the extent of its powers now seems to have been resolved.

## The judiciary

IN INDIA we hate our law courts on a mass scale. A third instance, to suppress Court judgments unfavourable to the Government (the Bombay High Court's ruling on censorship, for instance). The Gujarat High Court ruled against the restriction put on a local paper. The Delhi High Court criticised the detention of a journalist. The judges who delivered judgments embarrassing to the India regime had to pay the price. Seventeen High Court judges were transferred, without their consent, to other States. The Constitution does permit the transfer of judges to other High Courts, but to do so as an expression of displeasure over a duty conscientiously done is reprehensible. Happily, the Janata Government, already transferred 14 of such judges and the case of the others are being examined.

The point to note is that ever since independence the judges have shown an independence of mind which has proved highly inconvenient to politicians, although the Constitution itself has done its best to make judges truly independent. The seeds of dissension, as the politicians see it, have been sown by the Constitution itself. The power of judicial review, deemed to be a fact of life here. Until the 42nd Amendment, the courts were free to examine both statutory and constituent laws and to strike them down if they found them unconstitutional. The judiciary's right to review statutory laws is not disputed, but the right to review constitutional amendments is.

## Conscience

Not that some of the judges did not have weak knees, but by and large they decided cases according to their conscience and lights. The Bombay High Court, for instance, ruled that the job of the Chief Censor was to see that the censorship law was observed and not to mould the Press to suit the convenience of the Emergency regime. It was none of its business, for

## Structure

The next scene in the drama was the Keshavanand Bharati case in which the Supreme Court, again by a majority of one (seven to six), ruled that, although Parliament could amend any part of the Constitution, it could not destroy its basic structure. The judges did not define what constituted the basic structure but some of them gave illustrations: the secular and federal character of the Indian polity, republicanism, the division of the State organs into the executive, legislative and judiciary, the dignity of the individual and the unity and integrity of the nation.

Parliament once again retaliated by adopting the 42nd Amendment. It provided that no amendment of the Constitution, including amendment of the fundamental rights, could be "called in question in any court on any ground." "For the removal of doubt," it clarified that "there shall be no limitation whatever on the power of Parliament to amend by way of additions, variations,

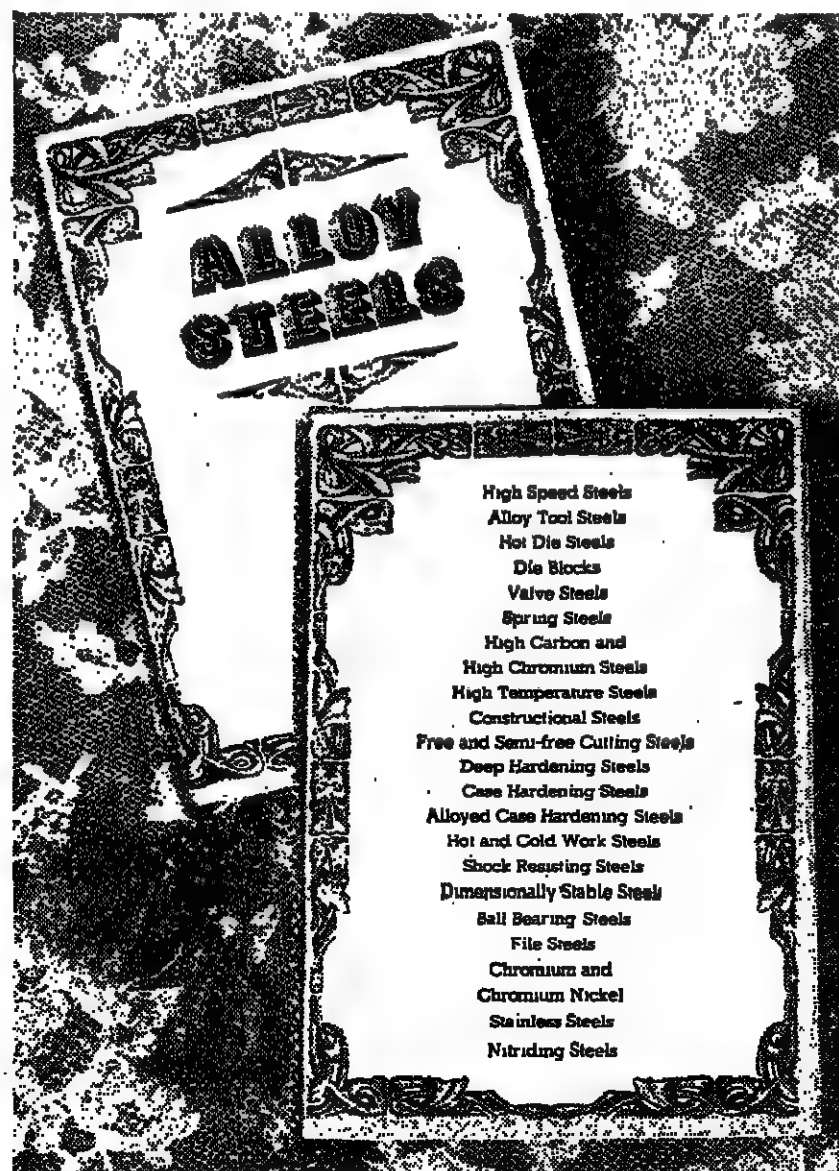
S. Sahay

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Although Indian cinema is both conservative and fairly basic in formula, it is also prolific, and an important form of entertainment in a predominantly illiterate society.

## Cinema

IT IS now universally known that the Indian cinema is the most prolific in the world (having made about 500 feature films last year), that Indian cinema still blanches at the thought of Raj Kapoor is better known in the Soviet Union than in India, and that Satyajit Ray is ranked as one of the greatest film directors of all time.

What is perhaps not so generally known outside India is that the cinema is now also India's most popular folk art because it partly caters to unlettered rustics who come to the cities in search of employment. For them it is a cheering substitute for those familiar folk morality plays which regale them in the villages during religious festivals and in which they themselves participate with zest.

The dream sequences with Cadillacs, car chases, lush apartments straight out of Good Housekeeping and spectacular dashes to London, Paris, Niagara Falls, the Swiss Alps and Tokyo are meant to whet the appetites of both the factory hand and the Government clerk in search of escapism as well as feed the innate snobbery of the suburban housewife longing for an Air India trip to collect French perfume. Leans for her son and possibly an immigrant husband for her marriageable daughter.

There are Bombay versions of Godfather, Love Story, Dirty Harry, James Bond and

## Opulent

The Tamil cinema of the South, to which has now been added the Telugu cinema of Andhra Pradesh, is just as opulent, escapist, expansive and box-office orientated as Bombay's but with two vital differences. Film-making in the South, with well-organised and highly professional studios and old-style movie moguls, is vastly different

CONTINUED ON NEXT PAGE

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## INDIA XIII

The roots of Indian theatre are very deep and at the moment the movement is staging a revival. This is being achieved despite the problems of being a country with 15 major languages. Its success was highlighted by an all-India festival held in Cochin last month

# The theatrical movement

DIA'S VERNACULAR is Kalidasa festival — named after the playwright who was the "Shakespeare of India." As people in theatre are now pointing out, the task before contemporary playwrights is to draw on this classical tradition and make such theatre socially relevant. Mohan Rakesh, a Hindi writer who died a few years ago, did this very successfully in *Ashad Ka Ek Din* (A Monsoon Day) which ostensibly deals with the legend of Kandas, himself — who renounced the pleasures of court to seek solitude in a forest and write plays — but broadly comments on the conflict between an artist's commitment to his art and his personal life. The play, incidentally, has also been made into a low-cost film by one of India's avant-garde directors.

### Playwrights

The roots of Indian theatre are very deep. As Nissar Allana, a young doctor turned full-time theatre designer, puts it: "Anskrit plays have everything — myth, spirituality, day-to-day incidents and a tremendous sense of humour." The *Natya Shastra* (literally, drama manual) which was written one time between 200 BC and 10 AD, shows a fine sense of taste, blending dance, music, speech and movement. Koodiyattam, for instance, an ancient dance drama where the performers' faces are masked with paint, is almost cinematic in its use of light and shadow. The problem is of course that anskrit is a dead language; but the pundit will attend performance in it? Yet there

medieval folk drama in Gujarat, porary theatre, which is theatre is Vijay Tendulkar — was performed at the recent admittedly of minority interest again a name which more often appears in the credits for film scripts these days. His searing this genre to date is Habib or Anouilh and came up with indictment of morality in Tanvir's *Charan Das Chor* (Charan Das The Thief) about a Robin Hood-type figure, example is *Eram Indrajit* by with *Sakharan Binder*, in which a bookbinder called Sakharan RADA in London and the leading dramatist today. A Bristol Old Vic, uses illiterate villagers in the play and allows them to improvise their lines in it uses no sets and the characters play different roles (the most purists would sniff at it). It title "And Indrajit" refers to a north Indian dialect which has also been made, albeit his being incidental to life). disastously, into a full-length Rakesh is the best exponent of imaginative adaption of folk is *Adhure* (Half Finished) about the torment of middle-class existence. Sircar, fortunately, Girish Karnad, a former Oxford moved on to more committed union president who commutes drama.

Finally, there is the contem- nuous transition to "realistic" century theatre and now per-

forms, amazingly, in factories, schools and other community places in Calcutta. Angered by the impoverishment of his State, West Bengal, he even stages shows in *maidans* or parks, attracting weary *babus* as they wend their way home in the evenings. Another Bengal group has staged a street happening where a few members initiate a debate, draw members of the public into it, and gradually withdraw till they form the audience!

Although all amateur groups are starved of funds, there is still an experimental play to be seen once a fortnight in a city like Bombay, staged in a decrepit school in one of the most crowded localities. There is also an excellent National School of Drama in Delhi, and most surprising of all, a bi-monthly magazine in English, *Enact*, devoted entirely to theatre (each issue carries a literary magazine which most other Indians cannot possibly follow. Still, in the national Press—and more important at theatre workshops and frequent festivals—there is a growing sense of brotherhood and excitement at each discovery of what is happening in some remote corner of the country.

### Active

There is also an active amateur theatre in English—a film. For instance, Utpal Dutt, another angry young man of the experimental Calcutta stage, has become a character artist in grotesque Hindi features. Amol Palekar, who has been responsible for initiating serious

films are a constant threat. Stage actors are picked up; they can earn the equivalent of £10,000 a film. For instance, Utpal Dutt, another angry young man of the experimental Calcutta stage, has become a character artist in grotesque Hindi features. Amol Palekar, who has been responsible for initiating serious

Despite all this, the Indian theatre movement is alive and well. It has yet to achieve a national identity, but is there any such thing to-day even in the political sense? The movement—and that is the right word—forces ahead in many tongues; the controversies and criticisms appear in small literary magazines which most other Indians cannot possibly follow. Still, in the national Press—and more important at theatre workshops and frequent festivals—there is a growing sense of brotherhood and excitement at each discovery of what is happening in some remote corner of the country.

Darryl D'Monte

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## The Kirloskar Group

## Cinema

CONTINUED FROM PREVIOUS PAGE

critics and filmgoers over the film *Kissa Kursee Koa* (The Matter of the Chair) assumes great significance. It will be recalled that this film, made during the Emergency, was destroyed after being submitted to Mrs. Gandhi's Government for censorship. Its burnt remains were allegedly found in Mr. Sanjay Gandhi's Maruti car factory. Both Mr. Gandhi and Mrs. Gandhi's erstwhile Minister for Information and Broadcasting, Mr. V. C. Shukla are now facing criminal charges in a court of law for wilfully destroying the film.

In fact, *Kissa* (re-made by producer Amrit Lal Nahata, MP) ran into troubles of its own before release. Its plot, of a corrupt President, whose election is set aside by a court law and whose party symbol the People's Car, was too far on the bone and the Indian Ministry had to look into the possibility of libel action before giving the green signal. The censors, in the event, have still being badly dis- eased, compared to All The President's Men and is likely to

be a new trend in political film in the Indian cinema. However, this solo political film apart, the Bombay Hindi cinema, which makes loud claims about its social purpose, remained mostly completely un- touched from reality, and this was as well to the Madras cinema. The so-called New Wave which followed Satyajit Ray's shining and brave people gathered some force some bright products of the Film Institute in Poona, as Mani Kaul and Kumar Gauri, encouraged by funds from the Government-sponsored Finance Corporation, made interesting off-beat films, they were more discussed during their screenings at film festivals but were far too short, and at times selfishly objective, for the home market. Some of them were considered a waste of public funds and did not even receive critical acclaim.

That Indian films can come quality with box office appeal has since been proved in small film-making regions well as Bombay itself. Basu Atterji, a Bengali director working in Bombay, set the ball rolling with some charming all-budget films which can be called as contemporary comedies. They used comparatively unknown young actors and actresses and dealt with suburban middle-class life, for executives in Bombay's vertising world, and most recently, the marital troubles of a TV producer. They have proved popular with all types of audiences.

Shyam Bengal has also made dent in the Hindi box-office in Ankur and Nishant. His

most recent release *Manthan* (Churning) was sponsored by a milk co-operative and actually deals with the tensions in a village when a small group tries to set up a milk co-operative to break the monopoly of the local milk merchant, whose adulterated milk is sold at a huge profit. Its cast included Girish Karnad, a Rhodes scholar who is also a playwright and film director, the screenplay was by Vijay Tendulkar, one of the leading Marathi playwrights, and it has also won the National award for Hindi films in 1977. Like Chatterji's films, it has attracted the average filmgoer as well as film buffs.

The focus on quality film-making, to a great extent, has also shifted to the South, to Karnataka (formerly known as Mysore state) and Kerala. The film *Samskara* has already been shown abroad. The main role of the Brahmin priest was played by Girish Karnad, who then went on to direct some films of his own. Karnad now also acts in Hindi films, notably in films by Basu Chatterji and Shyam Benegal.

This interchange of talent from different regions is breaking down linguistic and provincial barriers and leading to a new kind of serious, thoughtful, provoking national cinema very different from the escapist extravaganzas of Bombay and Madras. The products are also attracting audiences all over the country and at different levels of appreciation which is breaking down audience barriers as well.

In this context Satyajit Ray's fine Hindi film, *Shatranj Ke Khilari* (The Chess Players) (already screened at the London Film Festival) has not unexpectedly run into very serious distribution trouble. It has still not been released anywhere in India. It seems to have proved too much of a threat to Bombay's movie moguls who have battered for too long on star values, silly plots, spectacle and what passes for sex and violence (which is laughable anyway by Western standards). There are even dark whispers that the New Wave directors, whom Ray has not hesitated to criticise on the rare occasions when he comments on other Indian directors, may also have felt that Ray's masterly film, his first in Hindi, which is not even his mother tongue, constituted a threat to their avant-garde pretensions as well.

Be that as it may, what with the fur still flying over the political implications of *Kissa Kursee Koa* and now that public row over release of Ray's new film, the largest cinema industry in the world is obviously not only very much alive, it is kicking as well.

Amita Malik

78/KEC/PRATISHA



## INDIA XIV



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Quite a few countries have a "problem of the South" so India is not alone. A striking feature in this instance, however, is that the inhabitants, for all their ethnic and cultural differences, appear to be abandoning their traditional secessionism and seeking closer ties with the North.

## The South

WHEN THE South turned its back on the Janata Party in the March general elections, it seemed to confirm the worst suspicions of the North that across the Vindhya Mountains lay an alien people whose Dravidian race and culture cut them off from the Aryan civilization of the North. To those from the Hindi belt the South spoke a different language, wore different clothes and ate different food. To Morarji Desai—himself from Gujarat and thus not truly part of the Hindi belt—the rejection of the Janata Party by the South carried them out of the mainstream of Indian politics.

The arithmetic of the poll gave some credence to this view. In Kerala, Andhra Pradesh, Karnataka and Tamil Nadu, the meagre record of seats the Janata Party gained has led these four states to be dubbed Zero, One, Two and Three. In Maharashtra, which geographically stretches into the South if not traditionally part of it, Congress just retained its hold as the strongest single party. But in voting for Mrs. Gandhi or her allies, the South wanted to be seen to toe the line being set in Delhi. For the most striking development of recent years has been the way that the old cultural and linguistic quarrels between the southern states and Delhi have been eclipsed by the South's anxiety to be drawn into the orbit of national politics.

### Prohibition

The first state to have pushed through extremist measures to implement Mr. Desai's exhortations on prohibition has been Tamil Nadu—once the home of Tamil secessionism and still the scene of frebrand pro-Tamil rhetoric. But Tamils under 45 will no longer be able to buy alcohol. The weak state administration of the film star Chief Minister Mr. M. G. Ramachandran wants the patronage and funds of Delhi.

In Karnataka, Mr. Devraj Urs, one of Mrs. Gandhi's strongest supporters who was recently ousted as Chief Minister when the Central Government, on tenuous grounds, imposed presidential rule on the state, has been up to Delhi probably 100 times in the past six months, canvassing his cause. His rivals have not been far behind.

If the Janata Party does well in the forthcoming state elections to be held in Maharashtra, Karnataka and Andhra Pradesh—and it is desperately anxious to do so to establish itself as a national party—it will be largely because the moulders of opinion in the South see the advantages of tacking to the same wind as the North.

The danger of mirroring Delhi so closely is that this will

mean an end to the long periods of stable rule that some of the southern states have enjoyed.

Thus the lack of cohesion within the Janata Government is likely to be reflected by similarly divided ministries in the States and by the persistent threat of president's rule as the short cut to resolving local bickering. Tamil Nadu and Kerala have long lived with unstable administrations. But in Maharashtra, Andhra Pradesh and Karnataka it will be a turn for the worse.

What was always misleading about analyzing the March election results as a show of Dravidian strength against the Aryan North is that there is no such cohesion or consciousness of a common culture among the southern states.

The four main languages of the South—Kannada, Malayalam, Telugu and Tamil—have a common Dravidian root, but there are great linguistic barriers between the peoples of Karnataka, Kerala, Andhra and Tamil Nadu. The regional nationalism of the Tamils and their fierce opposition to Hindi being imposed on them as the language of India is not matched in the other states. Almost entirely gone is the South's former sense of inferiority in face of the Brahmin-dominated North.

The South has no unified economy. Each state raises its own revenue and negotiates with Delhi for its share of the Central funds. The industries of the South sell either locally or at a national level depending on their size.

But the southern states do have a number of features in common and which distinguish them from the North. Levels of literacy are higher. Against a national average of 29 per cent., the literacy rate in Tamil Nadu in the 1960s was 39 per cent., Kerala 60 per cent., Karnataka 31 per cent., Andhra 24 per cent. and Maharashtra 39 per cent.

New industry has been attracted to the South—to Bangalore, Mysore, Hyderabad and Bombay (not truly the South) which partly accounts for the sense of prosperity. When compared with old industrial centres like Calcutta, state governments have been more efficient—Andhra Pradesh, for instance, under the able Congress Chief Ministership of Mr. Vengal Rao or, even Karnataka where growing corruption has offset some of the gains. And the quality of administration has been reflected in increases in agricultural output which have made Andhra (until the cyclone) the "rice bowl" of India and Maharashtra the most efficient sugar producer.

It was because the South had few grumbles about the local Congress regimes, and because the emergency made so little

difference, that it seemed sensible to the politicians of the South to back the status quo and stand four square behind Mrs. Gandhi in March. After she lost and the Shah Commission made public the abuse of power in the North, many of the same politicians regretted the line they took and would change horses if they could do so without a loss of credibility.

### Popularity

One inhibiting factor is the strong personal popularity in the South that Mrs. Gandhi has among the Harijans (untouchables) and other poorer classes. She stirred their political consciousness in a way no other national leader has done since independence by promising higher living standards, more jobs and reserved places in the Administration. In Karnataka, Mr. Devraj Urs, the Chief Minister and her appointee, made populist measures carried out in Mrs. Gandhi's name the plank of his administration.

Like many of Mrs. Gandhi's associates, however, he also made as many enemies by his unscrupulousness and the extent to which corruption flourished under his rule. Nonetheless, the dominant caste—the Linga-

yaths and Vokkaligars in Karnataka, the Reddis and Kammas in Andhra and the Marathas in Maharashtra—do not pack the same political punch since Mrs. Gandhi appealed over their heads and demonstrated their vulnerability.

Mrs. Gandhi is counting on this popularity in the South to establish her power base. Were there to be an avalanche of support in her favour—and this seems unlikely—then the challenge she could mount to the Janata Government would precipitate the strain in North-South relations that was feared in March.

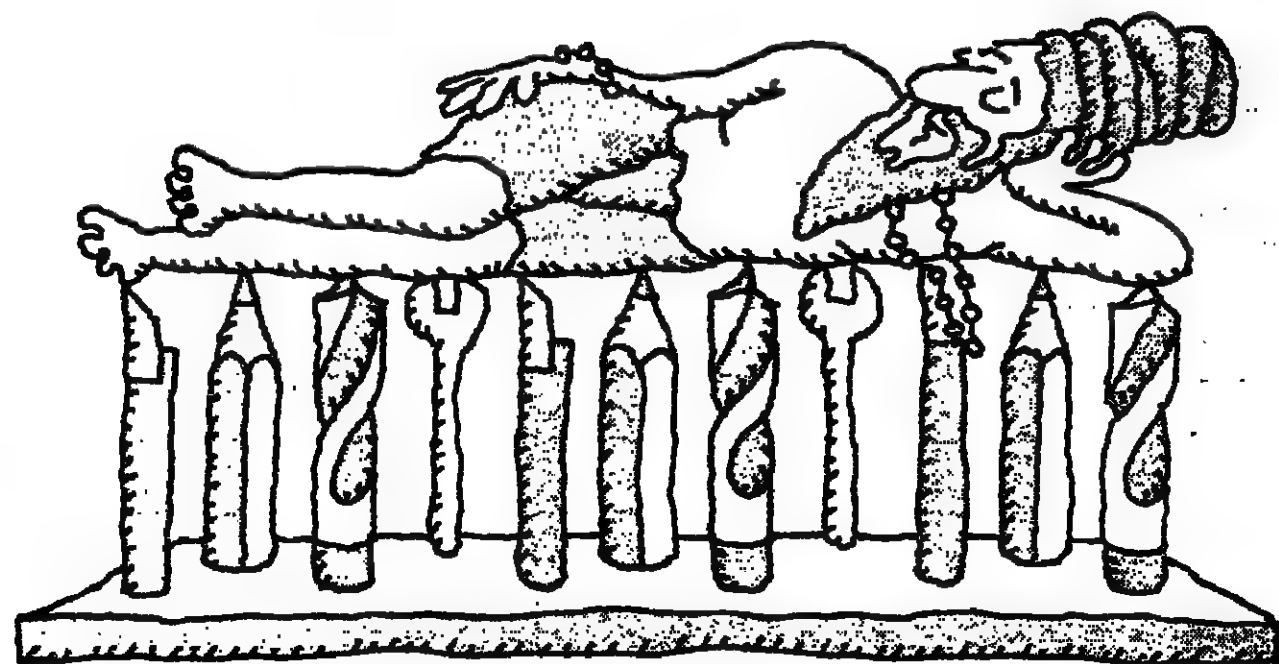
The other major threat to the present equilibrium could come if the Janata Government came under the extremist sway of the Jana Sangh and the BLD. Such an aggressive combination of pro-Brahmin and Pro-Hind parties would be unacceptable to the South and is the less likely to occur because of this.

But while the Janata Government hugs the middle ground the South can live with it. Even as is the case now when the politicians of the South have contempt for its leadership and performance.

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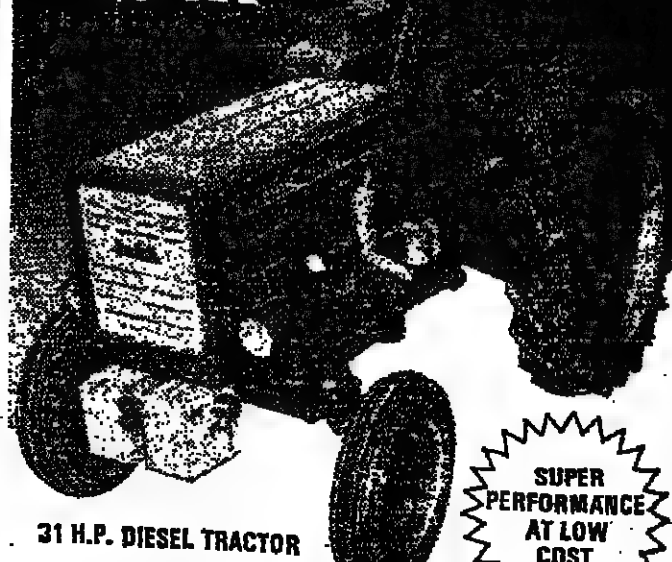
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# INDIA XV

One in every six Indians comes from Uttar Pradesh and its problems are typical of the whole of the country. Its politics are a battleground among the different factions and it suffers from uneven development, poverty, illiteracy, over-population, violent crime and rising prices.

## Uttar Pradesh

UPPRADESH, the dom- state in Indian politics, is closely intertwined with Centre than any other and - Morarji Desai is the first prominently the symptoms of the debilitating illness at the of national political life.

he problems of Uttar- desh are the problems of la writ only a little smaller neven development, poverty, eracy, over - population, ent crime, rising prices, donalism on every conceiv- a basis—be it regional, social, igious or of caste—and a lership held together by smatic political ties more n by any shared principles or grammes. But he who holds ar Pradesh, they say, holds ia. After all, one in every Indians comes from this factions, and alliances between them tend to be forged by individuals at the top rather adjacent to Delhi, and ever than by any awareness of

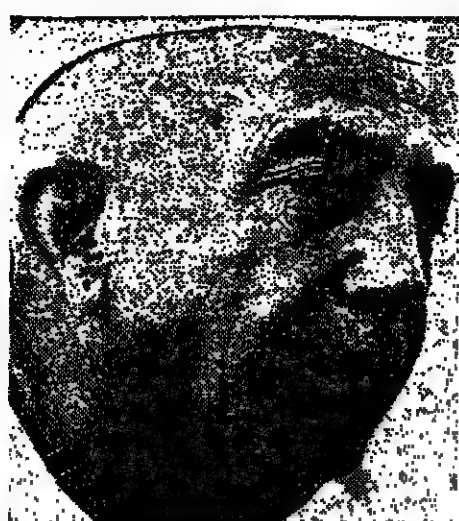
since the days of Nehru, its Brahmin community has wielded disproportionate influence in national government - Morarji Desai is the first Prime Minister not to come from Uttar Pradesh.

The state's electorate is split, almost to the point of absurdity, into factions, communities and sub-communities which no leader since Nehru has been able to unite. The relatively prosperous western part of the state has far more in common with the neighbouring states of Haryana and Punjab than with the sleeper, more backward east, the hilly, arid south, or the Himalayan north.

Communal differences between caste Hindus and Harijans, or Hindus and Muslims, lead to constant friction and not infrequent violence—only last October, around 20 people and possibly more are reported to have died in Varanasi when a group of Hindus insisted on holding a procession through a Muslim area. Reports on atrocities committed against Harijans are commonplace. Even among the caste Hindus, profound undercurrents of hostility between the ascendant small farmers of the Jat, Kurmi and Ahil castes, the powerful Thakur landowners and the influential Allahabad Brahmins surface from time to time—particularly at elections.

### Disturbed

With national, state and three state by-elections, the ten months since the end of the Emergency have proved a particularly disturbed time. Political activity in Uttar Pradesh is based largely on caste-oriented factions, and alliances between them tend to be forged by individuals at the top rather than by any awareness of



Above, left to right: Charan Singh, a major power in Uttar Pradesh; Raj Narain, who unseated Mrs. Gandhi in last March's elections; and Mrs. Gandhi, now under investigation on corruption charges.

common aims at grass-root level. Until March, 1977, Uttar Pradesh was a Congress stronghold and this type of politicking was held in check by the strength of the party leadership. The popular theory that the latest split in Congress will provoke a similar split in Janata has yet to be borne out by events, but the intense rivalries within Janata are disturbingly apparent.

Chief among the state's power brokers is Mr. Charan Singh, 78, formerly leader of the Bharatiya Lok Dal and within Janata, leader of the conservative wing comprising former BLD and Jana Sangh members. His prominence on the national stage and his ambitions for the Prime Ministership (thwarted last March by the Congress for democracy leader Mr. Jagjivan Ram) are curbed by the essentially regional nature of his power base. His personal supporters are confined largely to the Jat farmers of western Uttar Pradesh. Haryana and

parts of Rajasthan, and although Jats make up 40 per cent. of the population in his own constituency, they form only 3 to 4 per cent. of the national population.

Since last March, Mr. Singh has enjoyed the support of the socialist faction led by Mr. Raj Narain, who is best known for having unseated Mrs. Gandhi in her own constituency of Rae Bareilly, and of the Jana Sangh, the strongly pro-Hindu party which is currently the second largest element in Janata after the BLD.

Supporters of Charan Singh find in his "neo-Gandhian" economic theories, which advocate more small-scale farming and cottage industry, the most positive motivating force in present politics. His opponents see in him a power-hungry opportunist; intent on wooing Jats and the so-called backward classes at the expense of just about everybody else, particularly industry, consolidating his grip on the state through

puppet nominees in state, village and student posts, elevated to office with the help of strong-arm tactics at the polling booths.

### Rival

Within the state, his strongest rival is possibly the Federal Minister for Petroleum and Chemicals, Mr. H. N. Bahuguna, who, together with Jagjivan Ram, broke away from Congress early last year to form the Congress for Democracy, taking with him much of the Muslim support afforded Congress since the days of Nehru. He has sought to consolidate his base by assiduously wooing the Muslims both within the state, where they form 30 per cent. of the total population, and nationally. He is currently supported by the Congress (O) faction and the Soviet-oriented Communist Party of India.

Rivalry between these two protagonists takes many forms. Rivalry between these two protagonists takes many forms. Rivalry between these two protagonists takes many forms. Rivalry between these two protagonists takes many forms.

to stage massive rallies in each other's regional strongholds to more destructive activities. Evidence of CPI involvement in the current teachers strike, involving most of the state's 80,000 secondary school teachers, is being widely read as an attempt by the more left wing in the Bahuguna camp to harass the government of Mr. Singh's protégé, Mr. Yadav.

However, this type of infighting has little impact on the rural towns and villages, where most of the electorate lives and where political leanings are harder to estimate or to capture. But there can be little doubt that despite the emergency excesses and the cruelties of the family planning programme, support for Congress dies hard.

It is perhaps significant that the Harijan vote, of which 50 per cent. went to Janata in the March 1977 election, reverted back to Congress in the June state elections. This does not necessarily mean that Harijans,

perhaps the most abused of all in the enforced vasectomy drives of the family planning campaign, have forgiven or forgotten. Harijans sometimes have their voting done for them, if one is to believe the stories. But the Harijan vote has traditionally gone to Congress and, whether controlled or not, the voting figures indicate a significant swing in this predominantly rural sector.

Following the recent split in Congress, it is impossible to say at this stage which faction will win most of the traditional Congress support. Many in the state say emphatically that they would not have Mrs. Gandhi back at any price. But there are those who still insist that she personally was not to blame or who suggest that most of the post-emergency revelations are based on propaganda. If and when Mrs. Gandhi attempts to regain national leadership, it is widely expected that the decisive initial battles will be fought in Uttar Pradesh. Janata, which is still nervous about her legendary ability to draw crowds, is certainly helping to propagate this idea. Earlier this month Mr. Charan Singh said openly that intelligence reports had furnished him with evidence that Mrs. Gandhi was preparing a massive campaign of civil disobedience concentrated on the northern states, and rumours have been circulating for some time, possibly with a little help, that she would stir up trouble in the unions, among students, among Harijans and in areas of Hindu-Muslim conflict. But Mrs. Gandhi has said herself that she will carry her campaign into the streets and at street level, she may still have access to a much better organised party network than Janata has yet managed to build.

The only element in Janata

with access to a tightly knit organisation reaching down to street level is the Jana Sangh, political offshoot of the Hindu revivalist group the RSS. The RSS claims to be an apolitical, purely cultural organisation. It aims to promote awareness of and pride in ancient Hindu culture and is active both in villages and campuses. Though it appears to have enthusiastic support mainly among the middle class urban intelligentsia of the Hindi-belt states, it is not at this stage a significant force numerically or politically. But its tightly knit cadre structure, which appears to have suffered little from the group having been forced underground during the emergency, could prove useful if politically activated.

### Realignment

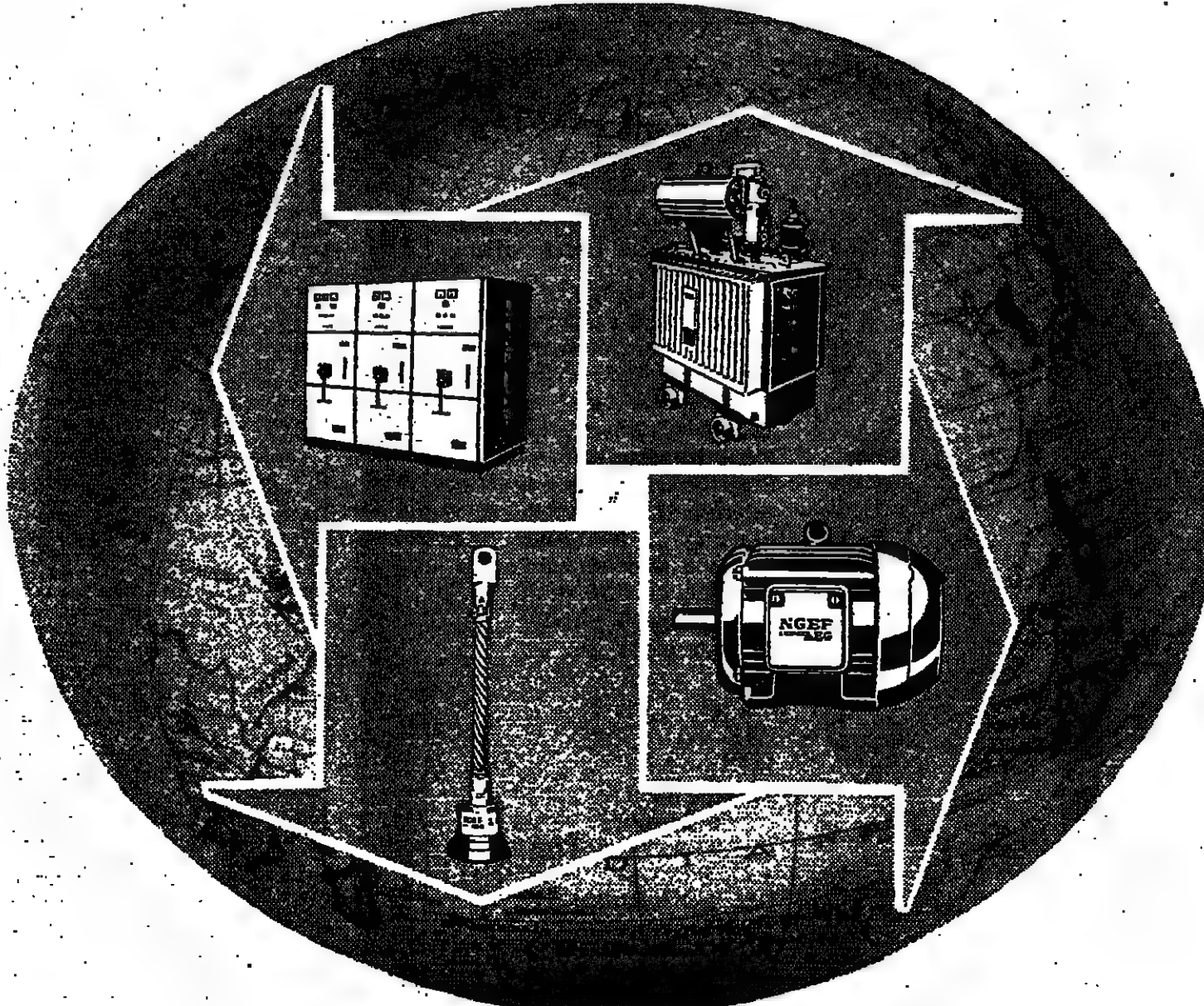
It is still too early to assess the impact of the latest congress split on Janata. However, should there be a major realignment, it would probably not have a profound effect on policy at state level, merely drawing attention further from pressing problems such as rising prices and law and order.

Apologists for the Emergency are still few and far between, but disillusion with Janata is becoming increasingly vocal, although so far mainly in the urban areas where industrial unrest, murders and violent robberies have increased markedly in recent months and where price control through the government's fair price shops has not appreciably slowed the surge in the cost of living. Few people look to the present state government for solutions, but many are listening with increasing scepticism to what is being said at the Centre.

M.v.H.

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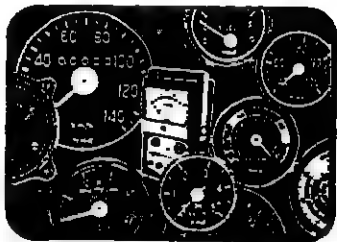
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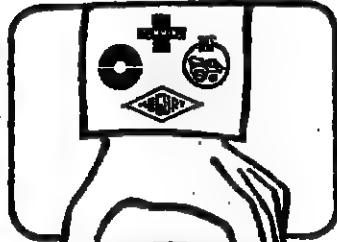
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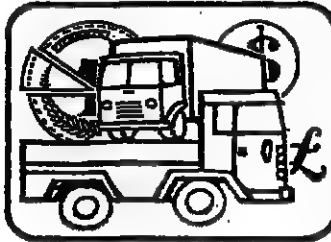
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## INDIA XVI

West Bengal's Communist majority government has set about tackling the State's pressing economic problems without any political fireworks. Initial targets are relatively modest, the party's leaders seem ready to enlist capitalist help, and ideology for the time being has a passive role.

# West Bengal

"WE ARE inexperienced," says Dr. Ashok Mitra, Minister in charge of Finance in West Bengal's Marxist Government. "We have made mistakes, we could have shown more courage. But we are in the business of making friends. We have many enemies and we are determined to give them no excuses. We are going to make the most of these five years."

Last June Mr. Jyoti Basu led the Communist Party of India (Marxist) to victory in the state elections. The Marxists had served in 1967 and again in 1969 as partners in the state's ruling coalitions, both of which were ousted by the central government on the issue of law and order. On both occasions, they earned a reputation of lawlessness and political thuggery matched only by the equally unscrupulous state branch of the Congress Party. But whereas the Congress Party work tended to be directed mainly against political opponents, the Marxists were associated with ghettos, violent strikes, forcible seizure of land and general aggression against the richer land owners and industrialists.

### Anxious

This time, the Marxists are anxious to shed their old image. For the first time they have a majority in their own right—they hold 178 of the State's 393 seats and they intend to hold them for the full five-year term. They aim to make West Bengal a showpiece of efficient, and above all honest, Government, in the hope of winning sympathy and support in other States' rights be tackled head on.

But if the Marxists' long term aims are sweeping, their short term aims appear extremely modest, particularly in the light of the state's pressing economic problems—its more than 4m. unemployed, its declining industries and inefficient agriculture. The Marxists came to power after campaigning on a very ambitious programme of social and economic reform. They were going to reopen the state's 200 closed factories, introduce a minimum wage based on need, cut taxes on essential commodities, provide jobs for the able-bodied and a dole for the disabled jobless, nationalise all the basic industries—in short to take some big strides towards socialism.

Of course they have done nothing of the sort. Nor were they expected to. The Indian states have so little direct access to revenue that their ability to implement election promises depends heavily on their relationship with the central government.

The CPIM's election programme was more of an ideological manifesto than an administrative blueprint and possibly only the most radical

of its supporters will judge it in these terms. Nevertheless, the Party's performance over past months has revealed an unexpected aptitude for the art of the possible. Its reluctance to take unpopular steps to curb rising prices or impinge on the privileges of the private sector, and its readiness to enter into joint ventures with the big capitalist families and multinational corporations, add a new dimension to the words "Communist" and "Marxist." "We have accepted the present reality of a capitalist system," says Mr. Basu. "Pragmatic, sensible," say his supporters approvingly; "thoroughgoing bourgeois," never worked a day in his life," say the sceptical.

In pushing through his policy of conciliation with the private sector and the central government, Mr. Basu is certain to have difficulty keeping the workers and more radical party organisers content. Many of them suffered a great deal under Mrs. Gandhi's Emergency and may feel that the new pragmatism is not what they fought for. The Marxist strategy so far has been to steer a middle course, blaming central government intransigence and opportunism for its own lack of progress, but not complaining loudly enough to provoke Delhi.

The Marxists are fully aware that the Janata Party, also new to Government, is anxious to make friends and consolidate power; they will play on this to get as much as they can, but will take care not to push their luck.

Their behaviour over the Ganges waters agreement, signed in Dacca last November, is a case in point. Having protested formally to the Janata Government that the quotas fixed for India were too low and having requested that the agreement be limited to one, rather than five years, the Marxists produced the requisite loud and indignant noises for the domestic audience when their wishes were ignored and the agreement concluded, "but did not fire any salvoes at the centre." "We are very unhappy about the agreement and how it will affect the port of Calcutta, but a long term scheme may involve things," says Mr. Basu. "The central government should have consulted us," adds Dr. Mitra, "but we don't want to provoke an international incident, and we can see that Bangladesh has problems."

In angling for its share of the federal budget, the Basu Government is likely to adopt a similar low-key manner, knowing that should the worst come to the worst, its support in a large sector of the unions could make trouble for the centre. At the moment, the state has direct access only to sales tax income and around 20 per cent of income and corporate tax. The statement. This curious omission means the party has not

stantal excise duties on, for example, sugar, textiles and tobacco, go direct to the Centre. The state has no authority to raise loans internationally on its own account, nor does it have any control over money supply or foreign exchange. It would like a much greater direct share of revenue and, if not freedom to act independently, at least to be consulted in discussion at national level. "The extent to which we can work with the Janata Government depends largely on Mrs. Gandhi," adds Dr. Mitra. "As long as she is a viable threat, we have more leverage."

But no matter how much leverage the state may apply, there are limits to the amount of money available, and Dr. Mitra has few illusions as to the state's economic prospects for the foreseeable future.

"What we propose for 1977-78 and what we can do in the subsequent years is and will remain modest," he told the State Assembly when presenting his first budget last August. "Ours is a bankrupt state. We will therefore have to fall back on modest means and techniques. Elimination of waste and corruption will receive our closest attention; it will be our particular concern that resources earmarked for a purpose and are not siphoned away by operators of different hues."

On taking power, the Government immediately revised the accounts left by the outgoing regime to show a massive Rs728bn. deficit instead of a Rs40m. surplus. The August budget contained measures sufficient to raise Rs250m. more than planned for the year by the previous government. Significantly, these measures did not hit at any particular sector and in fact left intact concessions to certain allied industries granted in the previous year's budget. On the con-

trary, the increase of sales tax on certain items, such as tea and land at the Calcutta and Siliguri auctions, will almost certainly lead to higher prices while cuts in sales tax on drugs and spare motor parts appear designed to help state-based industry.

The State's economic future clearly depends on industrial growth but industry, hit hard by political and labour unrest, shortage of power and lack of essential raw materials, has declined over the past decade. Without massive investment and substantial help from the centre, the Basu Government claims it can do little to rescue industry and ameliorate urban poverty and unemployment. In the meantime, it appears prepared to let industry go its own way with a minimum of interference so long as certain basic principles such as "a fair deal to consumers as well as the working class" are observed.

### Limited

Rather than sink its limited resources into the ocean of social and economic urban problems, the Government plans to concentrate its efforts on the State's 30,000 rural villages. Apart from anything else, they will have a much more immediate and visible impact here. Initial steps include rigorous enforcement of the Minimum Wages Act as it applies to landless rural labourers, roadbuilding and irrigation schemes, provision of drinking water for each village, and expansion of education, including the opening of 1,000 new primary schools in the current fiscal year and provision of free meals to another 1m. schoolchildren (1m. of the State's 6m. school children already get free meals). But the major effort will go into the controversial land reform programme. Land tax

is to be phased out in favour of a graduated farm income tax, and redistribution of surplus land is to be more forcefully carried out. Since the introduction of the West Bengal Land Reforms Act, which limits the size of individual holdings, thousands of acres consequently defined as surplus have been tied up in legal disputes. But here too the CPIM is anxious to learn from past mistakes. Its advocacy of forcible occupation of land by the landless in 1967 and 1968 led to violent disturbances and was instrumental in splitting the coalitions ruling at the time. This time the party will stick to the legal channels, even if it takes longer, even if it provokes antagonism from the land-hungry rank and file, who are already showing signs of impatience.

If it is to complete its parliamentary term, the CPIM will have to maintain its revolutionary image for the benefit of the more militant party members while convincing the industrialists and the central government that it has abandoned for ever the militant tactics of its previous two terms in government.

So far, its attempts to achieve this delicate balancing act have surfaced as a reluctance to commit itself to positive action, which may in the end prove unacceptable to both sides. The lack of visible progress over the past six months has already produced stirrings of discontent which can only increase if the Government sticks to its present course.

If the Marxists succeed in reconciling the diverse power groups of West Bengal to five years of slow, steady, moderately-left government, their success could influence voting trends across the subcontinent. If they fail, they may not get another chance for a very long time.

M.v.H

As the series of Five-Year plans indicates, India is wedded to the principle of central economic planning. But experience has at times proved disappointing, and the revised concept of a "rolling plan" introduced by Mr. Desai is now being digested by a somewhat startled audience.

## Planning

THE CONCEPT of the "rolling plan," which is the mechanism for implementing the plan, is a deliberate since the party's leaders make no secret of their displeasure over the Prime Minister's failure to explain what the concept is. The "rolling plan" idea has thrown the planning process into turmoil merely because no one, not even the hundreds of experts who occupy the Planning Commission's massive Vojna Bhavan, really know what it means.

Parliament has sought a debate on the concept in vain and some of the non-Janata States have protested at the manner in which a new idea has been foisted on them without their approval. The only assurance given by Mr. Desai is that the "rolling plan" does not mean abandonment of planning. Initiated by Mr. Nehru nearly three decades ago, nor does it mean an erosion of the powers of the Planning Commission. He has justified it on the grounds that it will make planning and implementation of plans more effective because, being formulated with a medium-term and long-term perspective, they will be more realistic. But details have to wait until the National Development Council holds its next meeting, hopefully in February. By then, the Planning Commission hopes to have the draft of the next "plan" ready.

This is a dangerously delayed schedule. The ill-fated Fifth Five-Year Plan, battered by the oil crises and inflation, has been terminated in its fourth year and hence the new "rolling plan" will be initiated in April, 1978. This gives the States and Central Ministries barely a month not only to digest the concept but also to begin carrying it out. Because of the severe criticism that the Government has been subjected to for its failure to launch its economic programme, perhaps it needed this time-schedule for political reasons. But common sense would have dictated that the Fifth Plan should be allowed to be completed as originally scheduled. This would have enabled the Plan-

ning Commission to take into account the recommendations of the Seventh Finance Commission on sharing of revenue between the Centre and the States, a vital matter in resources are basic in any Plan. It would also have enabled the Government to seek political commitment to the "rolling plan" concept as well as broad objectives by the State on which rests the major share of the responsibility for implementing the Plan. Not least, it would have given the Planning Commission another year to prepare what will be a basic and detailed document of economic and related programmes formulated on the results of wide-ranging exercises that it has sensibly initiated.

### Tussles

As things stand, next month's National Development Council meeting threatens to become an arena for political tussles between the non-Janata States on the one hand and the Centre, Government and the Planning Commission on the other. "rolling plan" may hardly be discussed because of issues that the States want to raise and the debate may be bogged down in peripheral and possibly conceptual agreement and arguments. Preparations for launching the plan are hardly calculated to gain the broad national consensus and political support which the basic economic development of the Government and, at any rate, the first, is threatened with a serious crisis because the Central Government has "substantial" advance assistance" to the States in the current year, leaving much less for 1978-79.

The "rolling plan" concept is not clear to anyone. Or statements are contradictory. They suggest both that the national five-year framework will be retained and also that plans will be made each year in the light of performance achievements and prospects within a 15-year "perspective plan." This suggests intro-

CONTINUED ON NEXT PAGE

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INDIA XVII

The problem of India's untouchables ("the lowest of the low") is deeply embedded in the caste system, and seems as far from solution as ever. They have once again become the centre of political debate, but many observers see the answer not in politics but in the eradication of poverty.

# The untouchables

SINCE THE new Janata Party came to power in March last year, the regular clashes between the untouchables, or Harijans, and the landless Brahmins have been the centre of the political stage. It may seem grim daily battle for survival, but the most down-trodden class in India should be able to occupy that position. Mrs. Gandhi and indeed the leaders of the official Congress to portray themselves as the supporters of the Harijans in their fight against the "Janata" monster party.

## Oppressed

It is too early to tell whether the Harijans will ever believe that again. If they do it will not be because of the Congress's past record. After 30 years of the Congress rule the Harijans in the countryside remain oppressed by all castes. Congressmen themselves admit they have made virtually no progress in eradicating untouchability—a task, incidentally, which Mr. Morarji Desai has given himself five years to complete. During the Emergency Harijans found out just how little progress they had made. In the March election campaign in Hariana, just outside Delhi, I found Harijans after Harijans who said "We were worse hit by the Emergency because we had no one to protect us from the police." In a village in Uttar Pradesh I asked the leader of the Harijan community what he thought of Mrs. Gandhi's allegation that atrocities against Harijans had increased since the Janata Party came to power. "It is all politics," he said. "We have always been under pressure and we always will be." When I asked him whether land given to the Harijans under the land reforms of the Emergency was now being reclaimed by the peasant farmers he replied "What we have never got any

land through the land reforms nor will we ever."

On that day I visited seven different villages and found the same story with minor variations. The only encouraging feature was the increasing militancy of the Harijans, in spite of the fact that they were all living in the constituency of the Home Minister, Mr. Charan Singh, who is the leader of the peasants of Western Uttar Pradesh, and has been cast by the Congress and his own enemies within the Janata Party in the role of the "Hammer of the Harijans." In one village peasants had tried to drive Harijans off some barren land which they were trying to work but the Harijans had retaliated and got the better of the day, killing one of the peasants in the battle.

In another, Harijans angrily led me through an area of the village reserved for caste Hindus and pointed out the electric wires. "Ours is the only part of the village which has not been electrified," they said. "We are going to see that we get electricity too." But the odds remain heavily against them. A highly respected Gandhian Social Worker near Hyderabad told me it was impossible to get the police to do anything about Harijans' complaints because they only acted on the orders of the politicians and they were in league with the landlords who had the money.

In rural India, just as in any other feudal society, there is a social mechanism which inevitably works against the poorest sections of society, and the Harijans certainly are that. This mechanism is even more effective in India because it has the added sanction of religion. Caste is an amazingly resilient religious institution. It even withstands conversion to other

religions. In the Vijayawada Diocese of Andhra Pradesh most of the Catholics are converted Harijans but it's only very recently that the Church has dared to risk offending its influential High Caste members by ordaining Harijan priests.

Shortly after the recent cyclone I came across a group of Harijan Christians sheltering in a hospital compound. They were refusing to return to their village. When I asked the priest in charge of the hospital why, he replied superciliously "Oh there are some bodies buried in their village. It's against the custom of these people to live where bodies are

buried." Caste also seems to withstand education. Every Sunday the Hindustan Times runs a page or more of matrimonial advertisements. This one is typical: "Beautiful Brahmin Medico Girl for Punjabi Saraswat Brahmin."

## Places

No wonder that there has been so little progress in eradicating untouchability during the last 30 years. That is all the privileges have succeeded in doing is in the words of a Commissioner for Scheduled Castes and Tribes, "Creating a vested interest in

places for Harijans. Educational and other qualifications are lowered for them and laws have been passed against the practice of untouchability."

There have, of course, been outstandingly successful Harijans. Mr. Jagjivan Ram, the man who nearly defeated Mr. Desai for the Prime Ministership in March, is a Harijan. India's ambassador to China and two state governors are also Harijans. But all the privileges have succeeded in doing is in the words of a Commissioner for Scheduled Castes and Tribes, "Creating a vested interest in

backwardness." So much so that Harijans who converted to Buddhism and Christianity to escape the stigma of their caste are now agitating to be recognised as Harijans again.

This has been angrily rejected by Mr. Jagjivan Ram who told a recent conference on Depressed Classes League, "For God's sake please don't liken scheduled castes with converts. They have deserted us. They should forget that they are scheduled castes." The privileges affect so few Harijans that they cannot afford to dilute them.

There have been other improvements. The worst excesses of untouchability have disappeared, like the caste who were so far below the rest that they couldn't go out during daylight because even the sight of them polluted caste Hindus. Some years ago I remember talking to a Harijan and a schoolteacher sitting on a charpoi or string bed in a village. The Harijan admitted that 20 years ago he wouldn't have dared to talk to the schoolmaster let alone sit on the same bed.

A young farmer in a hill village told me that this generation does not bother about untouchability. But it is in the towns and cities that untouchability is breaking down fastest. Is

crowded buses it is impossible to stick to the rigid caste rules, in offices you cannot object to working with a Harijan, nor on the factory floor. Urban Brahmins may not be willing to marry urban Harijans but they cannot always avoid eating with them.

The simple truth is that untouchability cannot be eradicated until poverty is defeated. As the Calcutta Statesman put it in a recent editorial "Only when the economic gap between the two halves is narrowed will Harijans be able to live in dignity."

Or as Dr. D. R. Ambedkar, the Harijan author of India's constitution put it more than 30 years ago, "The railways and factories have done more to combat untouchability than Gandhi's personal campaign. The real trouble is economic."

The problem is that the Janata party's economic policy emphasises rural investment not "railways and factories." It has been India's experience so far that rural credit ends up in the pockets of the landed not the landless. So there is a very real danger that the new Gandhian economic policy will add to the misery of the very people the Mahatma most wanted to help.

Mark Tully

# Planning

CONTINUED FROM PREVIOUS PAGE

tion of flexibility in planning as well as realism in a large country subject to sudden changes in outlook for a variety of reasons, not the least of which is the weather. What some fear is that this will also lead to a system of "annual planning" since the "rolling plan" will effectively mean formulation of a new five-year plan (and hence a new 15-year plan) every year in the light of a changing assessment of resources, achievements and prospects with the possibility of scaling down of targets. Some even fear that this really means an abandonment of planning.

In fact, what the "rolling plan" seems to aim at is to give legitimacy to actual practice based on experience. Take the decision to terminate the Fifth Plan in its fourth year. This is not really as dramatic a decision as it may seem since the Plan had progressed unevenly with a growth rate of just 0.3 per cent in its first year followed by 6 per cent

in the next. As harvests fluctuated, the growth rate slipped further until the Planning Commission, by some absurd reliance on computerised calculations, finally fixed the growth rate target at 4.37 per cent in the third year. Such deviation from perspective planning actually began in the Third Plan; and, in fact, for more than a decade the country has as a political gambit. A realistic approach to savings need not be actual and de facto annual plans which have taken into account current constraints. The "rolling plan" seems to accept the need for realism. The danger is that long-term perspectives will be sacrificed on grounds of expediency and excessive reliance placed on short-term programmes. If so, the "rolling plan" may turn out to be an exercise in deferring social and economic goals.

Obviously with this in mind, outlays on long-gestation projects are not variable in the outlined the "reformulated objectives and restructured investment priorities" on which the Janata

strategy for the next Plan will be based. These are of greater immediate relevance. The Commission has set before itself the commendable object of determining the size of the plan on the basis of real savings in the economy instead of assuming a desired growth rate (ignoring the Janata Party's target rate of a 7 per cent growth rate as a political gambit). A realistic approach to savings need not be actual and de facto annual plans which have taken into account current constraints. The "rolling plan" seems to accept the need for realism. The danger is that long-term perspectives will be sacrificed on grounds of expediency and excessive reliance placed on short-term programmes. If so, the "rolling plan" may turn out to be an exercise in deferring social and economic goals.

Obviously with this in mind, outlays on long-gestation projects are not variable in the outlined the "reformulated objectives and restructured investment priorities" on which the Janata

approach to rural development, room for manoeuvre may not be all that great even within the "rolling plan" concept.

## Limited

The scope for innovation will thus be limited to the wide range of schemes to be drawn up for promoting employment, an object which previous Plans generally ignored on the grounds that more jobs would be created in the normal course of implementation of schemes in the plan. It is too early to say that the Planning Commission has evolved new ideas on the subject. Area development schemes for drought-prone areas and small farmers, subsidiary occupations in animal husbandry and social welfare projects for nutrition, child care and rural educational and paramedical services have all been discussed before and some initiative taken.

It is now proposed to have a

single developmental agency at the grassroots block level (the basic administrative unit for development) to control and coordinate such schemes, though doubts can arise on the feasibility of ensuring proper performance at that level in the absence of a trained cadre of administrators. The proposed change to decentralised planning is another straw in the wind which may well involve giving up the practice of earmarking central assistance for specific schemes and of enforcing priorities through the device of centrally-sponsored projects. This may further weaken implementation and actual use of resources, faults in both of which are sought to be rectified. Hopefully, the new Plan document will not only clarify conceptual doubts and set at rest fears about motives but also show how the Commission will tackle such key issues.

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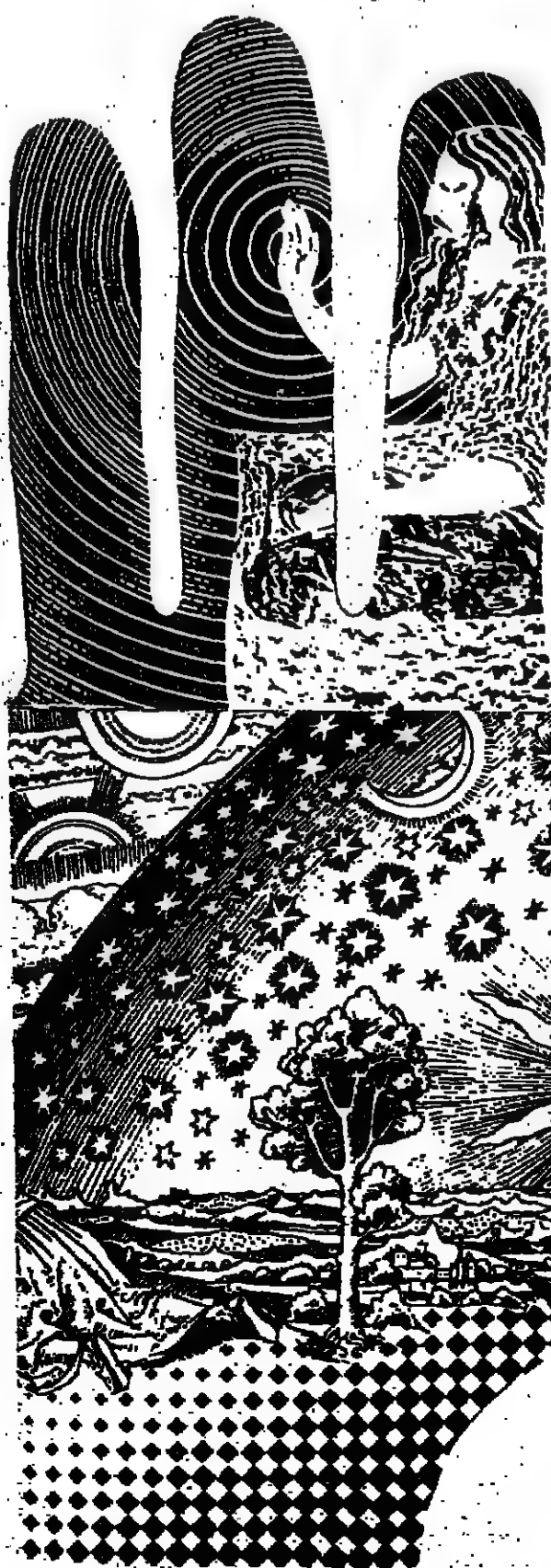
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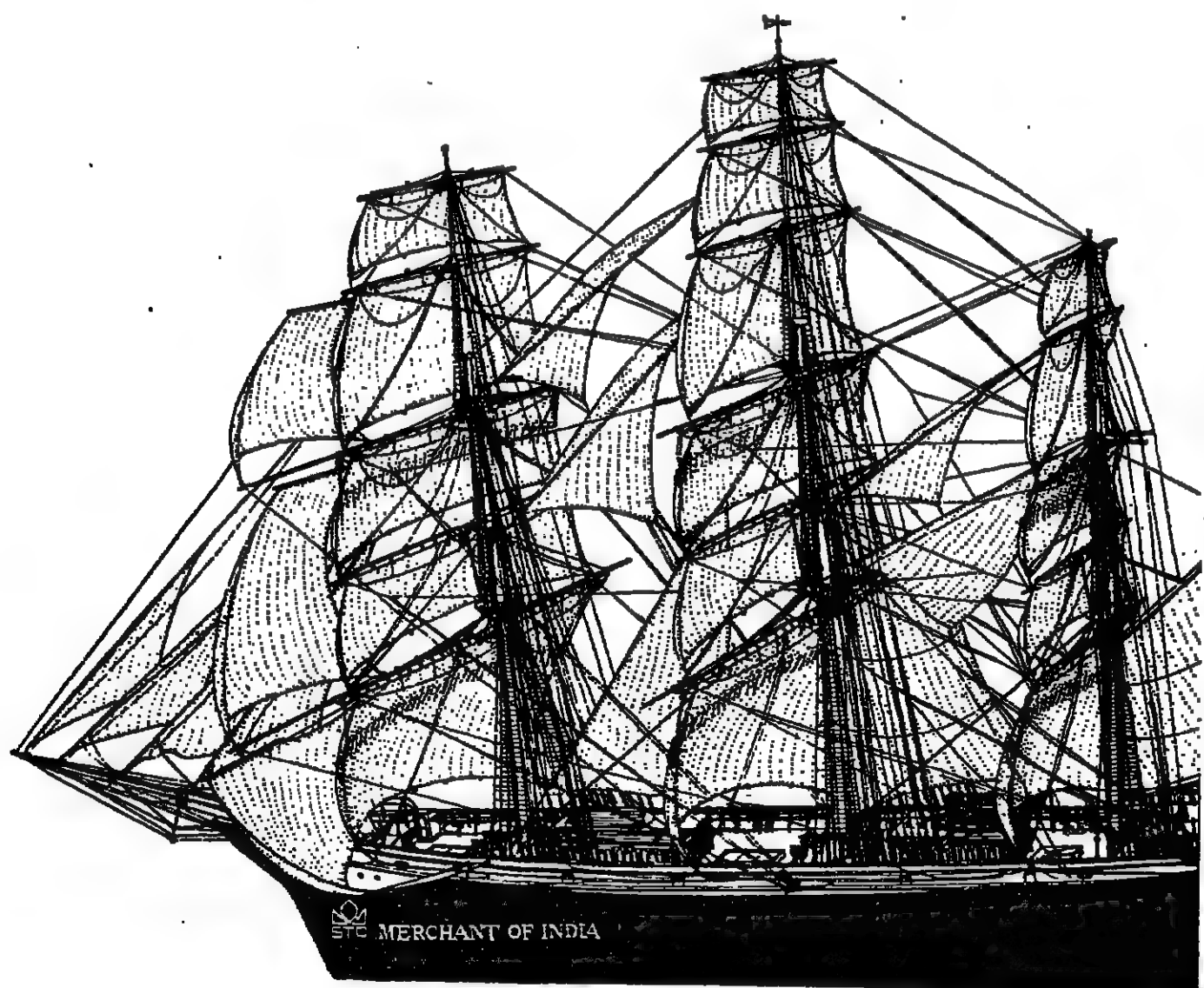
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No. of employees	14388	37996	67221	108493	108386	112482
*Capital & Reserves	13	18	24	85	120	120
*Deposits & other Accounts	235	801	1607	4011	4500	5630
*Advances	130	537	1243	2788	3450	3693

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## INDIA XVIII

India's nationalised banking system is very much the instrument of the central government in the pursuit of socio-economic planning. For that reason it has begun to cast sidelong glances at the foreign banking community, whose operations are not subject to similar direction.

## Banking

BANKS IN India face the problem of adjusting traditional norms for lending and other operations to the socio-economic needs of the country. In terms of the Janata Government's policies, this really means providing cheap credit to farmers and others occupied in agriculture as well as small-scale and rural industry. People in such occupations are not the most credit-worthy; lacking tangible assets, loans to them must be very much on the basis of personal assessment of their ability to repay. Local branch managers can hardly be blamed if they are unwilling to take the risk of loans being written off because they have not applied the strict rules for giving credit. Yet this is a problem that will have to be solved since otherwise it will have to be admitted that the banking system is meant for urban inhabitants and the corporate sector.

That the Reserve Bank itself is unsure of how to deal with the dilemma was indicated by the formulation of its credit policy last month. With a new Governor, Dr. L. G. Patel, in office, the Reserve Bank made no real change in credit policy and the general framework for its administration. As a gesture it made concessions for commercial banks to induce them to increase credit to small farmers. Bank lending to small farmers as direct individual loans not exceeding Rs.2,500 each from this month are eligible for refinancing from the Reserve Bank at the current bank rate of nine per cent. Banks are required not to charge more than 11 per cent on such loans irrespective of whether or not refinancing is obtained from the Reserve Bank. The refinancing will be limited to 50 per cent of the total advances to small farmers. A similar scheme has been announced for credit to small industry.

This "small farmers' window," as the concession has been called, is hardly a revolutionary step and the corporate sector's share of bank credit—which has been severely restricted for the past year by the monetary authorities to contain the rise in money supply—can be expected to remain untouched. If anything, this heightens the dilemma of the Reserve Bank and the banking sector. It acknowledges the need to increase the share of total credit for the "priority" sectors as defined by the Janata Party but does not see any way out if banking is to be carried on traditionally. These will have to be changed, and there is a widespread feeling that the banking system must now take stock of its position in the light of socio-economic objectives without impairing the health of banks. This will have to be done by the Reserve Bank, whose autonomy—greatly eroded during Mrs. Gandhi's emergency rule—has been restored and at the head of which is a governor known for his integrity, independence of thinking and distinction as an economist. The problem is probably uppermost in Dr. Patel's mind and the contributions he has made so far are possibly due to the fact that he has to get rid of the heritage of the emergency. The banks have had a trusteeship role to carry out ever since the major units were nationalised; it is the Reserve Bank's job to see that they look after the interests of millions of depositors as well as contribute to development.

Yet even Mr. Narasimhan felt the need for caution. The Congress Government's apparently off-the-cuff decision to establish 50 regional rural banks was diluted to settling up about six on an experimental basis, but the emergency intervened and the rural banks drive was pushed with the result that by last June 48 rural banks with 621 offices were opened within 18 months. At the end of March, 1977 their deposits amounted to Rs.120m. and advances to Rs.128m., a credit deposit ratio of 123 per cent. This hardly makes them viable and the new committee must be tempted to deal with the regional banks as unwanted babies of the Emergency and wind them up. Yet the performance of the co-operatives in the task of providing credit to farmers has been so dismal that the entry of commercial banks cannot but be encouraged. Their entry into the rural field was made reluctant following nationalisation. But having been snatched to come in, their record has not been unimpressive. Direct finance provided by commercial banks to agriculture increased from a mere Rs.540m. in 1969 to more than Rs.1bn. in 1976, an increase not matched by credit co-operatives. The fear is that it is the more affluent farmer who has bagged most of this, and the real problem facing the banks is not only to change their traditional methods of operation but also to ensure that development finance they provide goes to the section who need it most.

### Earmark

Such a role has been thrust on the banks not only because of nationalisation in 1969 but also by official and parliamentary decisions. For instance, the Parliamentary Committee for Scheduled Castes and Tribes (the former untouchables) recommended in its report, published in March 1976, that the nationalised banks should earmark at least 20 per cent of their funds for the credit needs of this section of the population. On May 24, 1977, the new governor announced a scheme which aimed at bringing bank credit within the means of the "weaker sections" with special stress on the needs of the 40 per cent segment below the poverty line. Under the scheme, banks are required to ensure that at least two-thirds of the loans given by them under the "differential interest rate" scheme are extended through their rural or semi-urban branches and that at least a third of these loans go to the Scheduled Castes and Tribes. The Janata Party's economic policy statement requires all commercial banks to use their entire deposits collected from a rural area to finance its development. This is intended to pre-

MONEY SUPPLY (Rs. bn; end of financial year)					
	1973-74	1974-75	1975-76	1976-77*	1977-78*
Money supply	94.13	105.48	115.57	127.59	161.59
of which:					
currency with the public	54.43	63.36	63.78	67.39	79.03
demand deposits	39.18	44.67	51.01	59.67	71.28
Bank credit†	86.04	93.22	91.72	102.52	125.10

\* Provisional. † Scheduled commercial banks. Source: Reserve Bank of India Bulletin.

vent funds going to industrialisation and services in urban areas. It is taken for granted that most of the funds for the party's policy of laying stress on rural development will be provided by the banks. Under the proposed dispensation, the organised sector in industry is expected to rely increasingly on its internal resources and reduce dependence on bank finance. Again there is the unspoken directive that banks must change their traditional method of functioning. It will not be unreasonable for them to ask that they are not confronted with competing demands from the rural and urban areas.

Even if they are not, they face major hurdles in the form of restructuring and reorganisation. Bank staff posted to rural and semi-urban areas are new not only to their physical environment but also to their functions and tasks, and most of them hesitate to take the initiative in identifying bankable projects. A new, well-trained cadre for this purpose is essential. On them will also rest the task of educating rural communities to take to banking; hardly any of the millions of illiterate farmers are even aware that banks can provide the facilities they need. This is one of the reasons why rich, literate and influential landlords have been able to use bank finance to tighten their grip on the rural poor.

### Reviewing

The fact is that rural banking has a long way to go before it becomes a force for implementing socio-economic policies. A Reserve Bank committee is now reviewing the progress made by regional rural banks in the light of the objectives for which they were set up, to indicate their precise role in the rural credit structure and to recommend the scope, methods and procedures of their functioning. Establishment of the regional rural banks was a political decision, but their economic justification has been provided by a committee headed by the outgoing Reserve Bank governor, Mr. N. Narasimhan. He said recently that the rural banks were conceived to combine the strong points of both the co-operative and commercial banks, eliminating the weaknesses of both. Hopefully, rural banks would combine the local base and rural touch of the co-operatives and the organisational efficiency and financial strength of the commercial banking sector.

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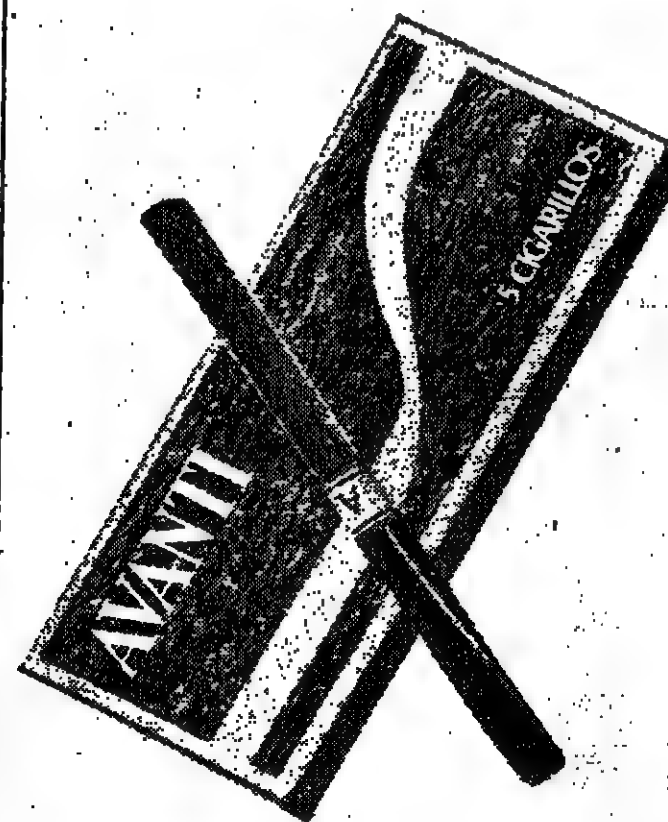
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Where do the foreign banks they are doing this while it in this scheme of things? If Indian commercial banks are reluctant to enter the villages, and foreign exchange transactions. Foreign banks can hardly take on the altruistic role which is virtually being imposed on Indian nationalised banks, but there is some justice in the demand that they should at least make larger investments in the "social" kind through transactions involving business and trade abroad and are thriving because of the boom in purchase of bonds issued by foreign governments, although their functioning is strictly controlled by the central bank. At the moment they are under attack not only for studiously avoiding the village but also discouraging the small depositor from their urban branches—practices considered unethical under the code prescribed by the Indian Banks' Association. They are doing this mainly because mechanisation of operations makes small depositors a burden—thereby shedding employees at a time when the Government wants more employment opportunities created.

As one commentator points out,

K.K.S.

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## INDIA XIX

Widely differing views are held about whether India welcomes foreign investment or not. There is as yet no clear answer to the question, although there is no doubt that foreign companies are having to adapt to new controls and restrictions.

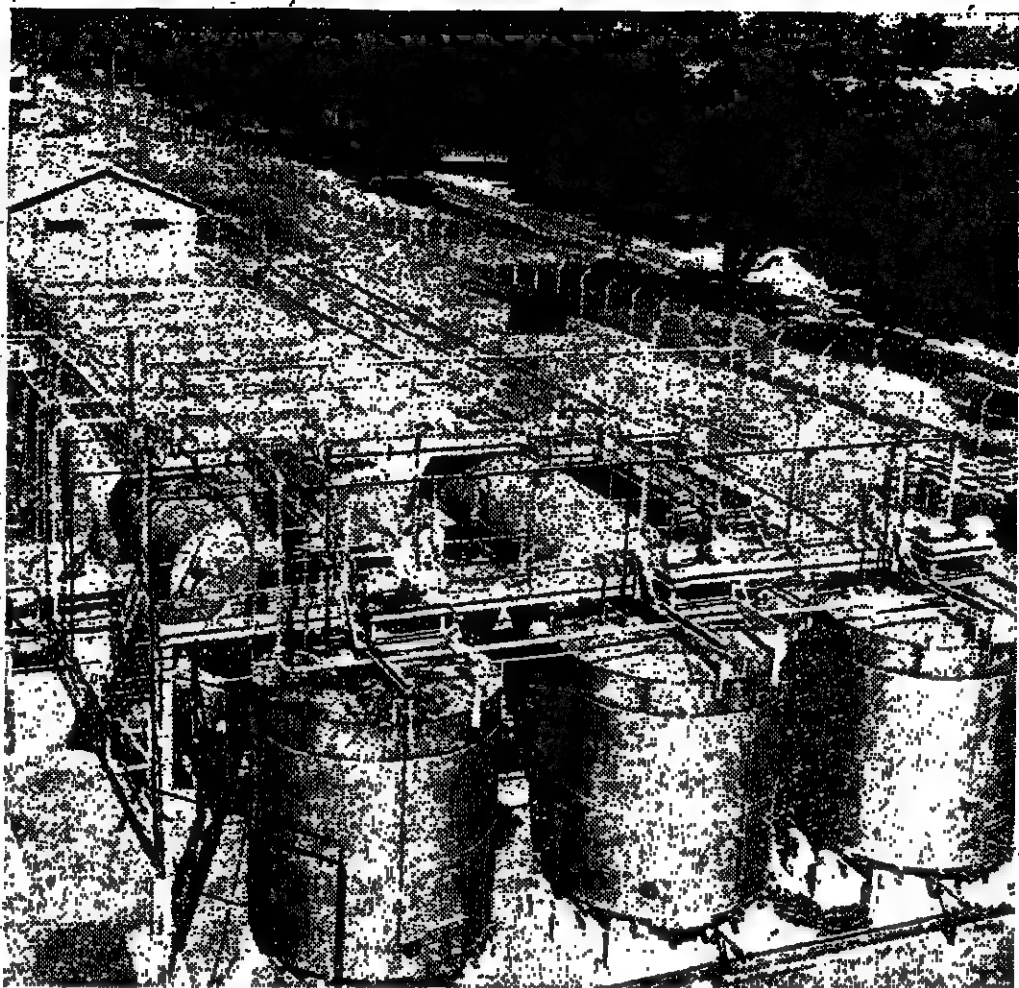
# Foreign investment

FOREIGN INVESTMENT is a word sufficient to narrow eyes of ideologues of all in India, the easiest scapegoat for any of the country's ills and the target of scorn of all parties. Such is emotion that the two words use that a much-needed soberate on a vital issue has never held either within or out of the Government. The result is confusion. This is seen as much in statements of potential foreign investors as in Indian entrepreneurs and officials. As long ago as 1977 Mr. W. Häfkamp, President of the European Commission, announced that the prospects of foreign investment in India are good and do not see the Foreign Exchange Regulation Act (FERA) as a hurdle. A few months later, the Japanese Ambassador, Takashi Suzuki, said "relative foreign investment in India is good and the lack of so-called active climate for private investment" had not led to sluggishness of rate Japanese investment.

Some time ago, Sir Rowland Gt. chairman of Imperial Chemical Industries (ICI), said of India's economic and industrial situation as being "encouraging for foreign investment" and added that her performance had "created international confidence in India's prospects". Mr. George Nandana, Minister of Industries, returned recently from a visit to Germany and announced that he had secured a loan of \$100 million from the German Government for the next two years at the best interest rate of 7.5 per cent. Mr. Biju Patnaik, Minister of Steel, is furiously propagating his view that since Indian resources are inadequate for the new steel and aluminium plants, foreign parties should be welcomed to develop them. Apart from foreign Governments, many multi-national companies have shown interest and made concrete proposals for three shore-based plants. Yet, in announcing the Janata Government's economic policy a couple of months ago, Mr. Madhu Datta, its influential general secretary, said: "I think we should make it clear once and all that India no longer welcomes foreign investment. We are all in favour of improving the investment climate should end."

### Impressive

As far as private Indian industry is concerned, it has been the Government to opt for a more open-door policy on investment which will be substantially larger to wind up its business in private foreign capital. India: "The truth is that we



The Indian Explosives Ltd. blasting explosives plant at Gornia, Bihar. IEL is a joint subsidiary company of ICI and the Indian Government.

and ultimately replace "used foreign aid" (from Governments) as the instrument for spurring industrial growth. Simultaneously, it says, FERA should be relaxed and implemented "flexibly", suggesting there is no need for an "inferiority complex" about foreign capital. "The market for foreign capital is competitive. If we are unable to attract capital by offering suitable incentives and concessions, it will move to other countries offering better terms." A study made by the Indian Chamber of Commerce says if the foreign investment flow rate is pushed up, it will lead to improvement in capacity utilisation in industries and creation of fresh capacity in key sectors. It estimates that a one per cent increase in investment leads to a five per cent rise in capacity utilisation. It concludes that the Government's highly selective foreign investment policy, coupled with FERA, will ensure that investors keep out. Said a senior executive of a major investment which has decided to leave a substantially larger to wind up its business in private foreign capital India: "The truth is that we

came in when foreign investment was welcomed with open arms. With FERA, it is being strangled. We cannot co-exist with FERA." Where do all these contradictory statements and assessments leave us? Do foreign investors want to operate in India? Does India want them? There is no straight answer. When foreign investment entered without restriction and found itself able to explore (exploit, its critics would say), such low investment, heavy profit sectors as toothpaste and soap, it was because Mr. Nehru believed that India's future lay in quick industrialisation and in the help of foreigners. That was their heyday and it has now come to an end. No foreign company can complain that it has got an unfair deal. There have never been unreasonable restrictions on repatriation of profits and royalties, although India's slow bureaucratic procedures have meant avoidable and irritating delays.

There must be some reason for the willingness of more than 90 per cent. of foreign companies to abide by FERA requirements to dilute their holdings and "Indianise" their capital base. As many have said, a 40 per cent. holding does not necessarily mean losing control of policy and Indian participation provides resources for expansion. And, after all, India has such a vast, growing market that even International Business Machines, the classic case of the multinational that opted to close shop rather than comply with Indian requirements for dilution of foreign equity, fought hard and long to remain. It was its global policy to operate only on a 100 per cent. foreign ownership basis and repercussions on positions it had taken elsewhere (including the U.S. where it is fighting a court case on a related issue) that forced it reluctantly to quit India.

### Open-door

Foreign investment in India, despite the lack of a clear and coherent official statement, must reconcile itself to controls and restrictions: if it is to come, it must come on India's terms. Politics and economics both dictate this. It would be impossible for any Indian Government to allow a multinational unrestricted operation for political reasons and even private industry will concede that this is no longer needed. FERA is not the result of a whim: it was enacted after watching the massive outflow of foreign exchange in the form of profits by a majority of companies which had made small capital investments in sectors where Indians are equally capable of operating. Despite the horror stories which followed the IBM and Coca Cola cases, FERA is being administered flexibly and it is not so long ago that a half-way point (51 per cent. foreign ownership) was permitted for companies which could present an acceptable package of imports of "high technology" which would otherwise not be available in India and an export commitment that the

country still needs despite the deceptive foreign exchange reserves figures. Foreign investment has, for some years now, been limited to technological collaboration; an impressive list is issued quarterly by the Ministry of Industry and the number seems to grow, even though financial participation is rare and always in a minority. Foreign companies are still apparently willing to sell their knowhow to India on its own terms and this must, therefore, be a profitable operation for them. Willy nilly, it is foreign firms which have adapted themselves to Indian terms and for every grumbler protesting against India's "harsh" requirements, there are many more waiting in the queue to come in and collaborate either in the country or, increasingly, as partners to Indian firms in third countries. It is a sign of things to come that the Government has decided that Indian companies can be allowed, on a case-by-case basis and if accepted by the country concerned, to take on a majority share in a joint venture abroad. The circle is complete.

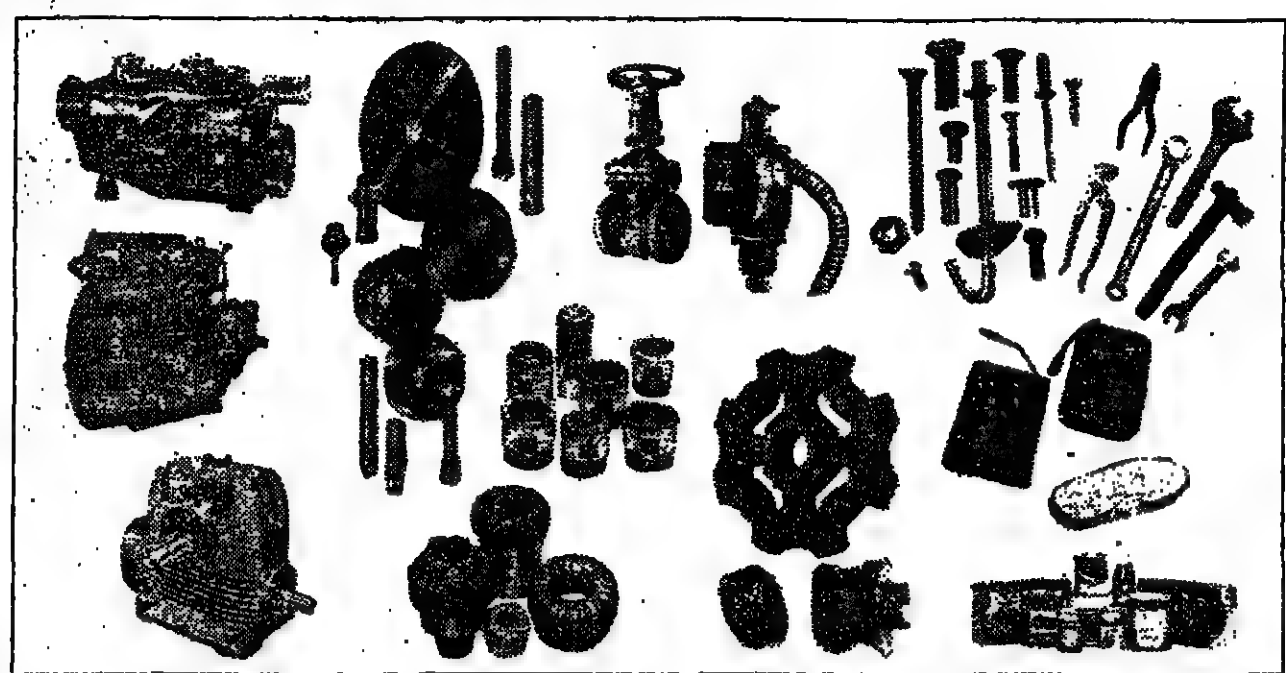
On March 31 1977 there were 482 multinationals or their branches operating in India. Of these, as many as 319 were British-based while the U.S. accounted for 88. Assets of all branches of foreign companies at the end of 1974 (the latest figures available) amounted to Rs.17,982 (about \$12bn.) of which the British and U.S. companies accounted for Rs.12,450. Of the total, as many as 163 were classified as being in commerce while another 87 operated in the "business services" field while the rest functioned in the manufacturing field. The figures for Indian subsidiaries of foreign companies are comparable. A study in 1973-74 showed that profits before tax of 180 subsidiaries amounted to Rs.1,982 and the ratio of profits before tax to assets and turnover was 14.3 per cent. and 9.3 per cent. respectively. A recent study on the performance of Indian companies with foreign holdings in the context of guidelines issued by the Government for dilution of equity by foreign companies shows that the per unit realisation from non-traditional manufacture in most cases was less than the realisation from the Indian market. Many had not fulfilled the export obligation they had taken on.

A large majority of foreign companies has agreed to FERA terms and organisations like Phillips, Bayer, Indian Aluminium, Union Carbide, Hindustan Lever and India Tobacco have reduced their foreign holdings as a result of expansion and diversification of business. Others like Metal Box, Brooke Bond and General Electric are in the process of doing so and in the last three years about 40 foreign concerns have entered the capital market through the process of additional equity issue or disinvestment of shares held by parent companies. Some foreign firms have diluted foreign holdings by merger. Only 36 have so far opted to cease operations.

K.K.S.



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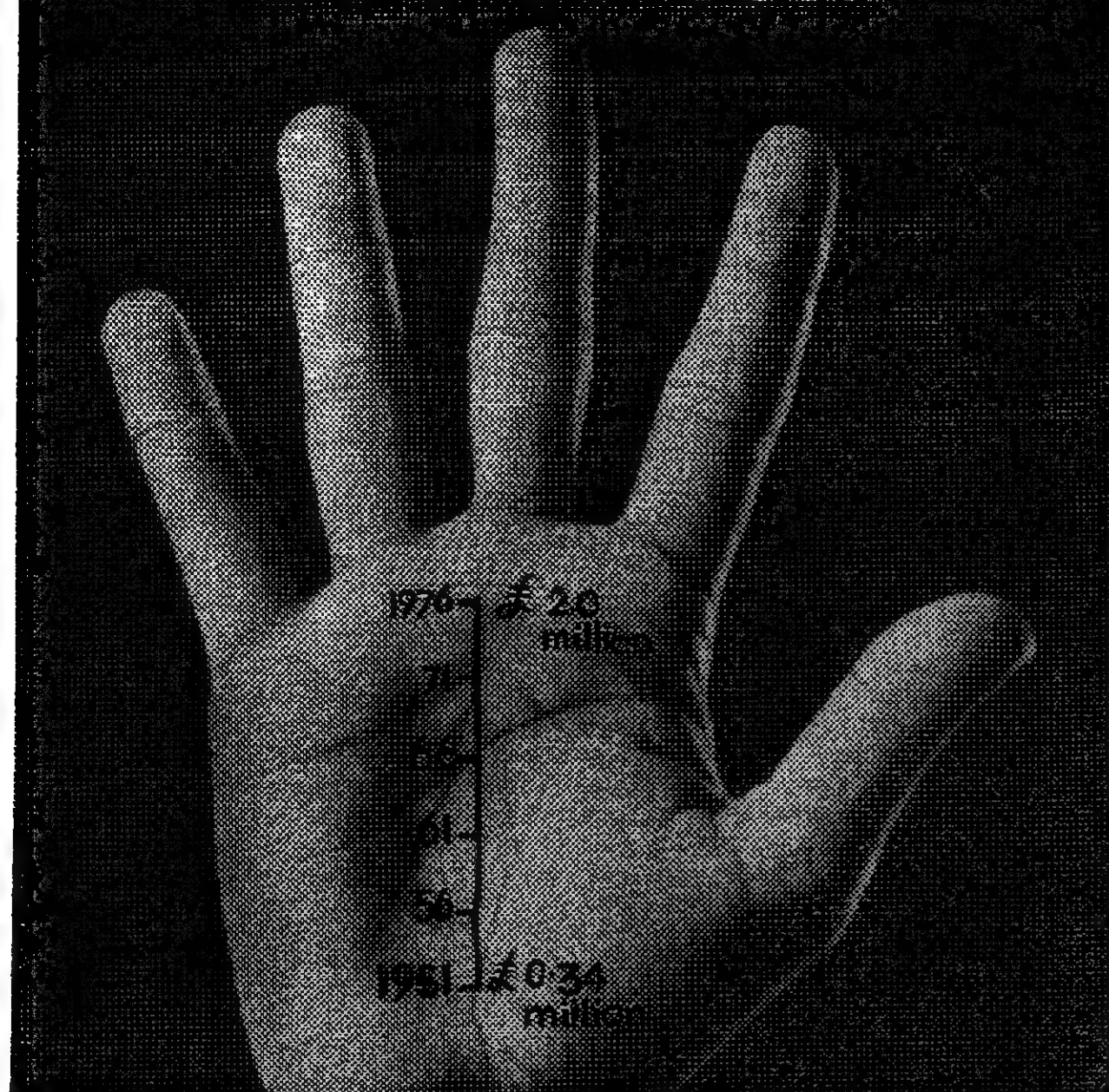
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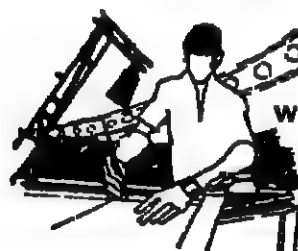
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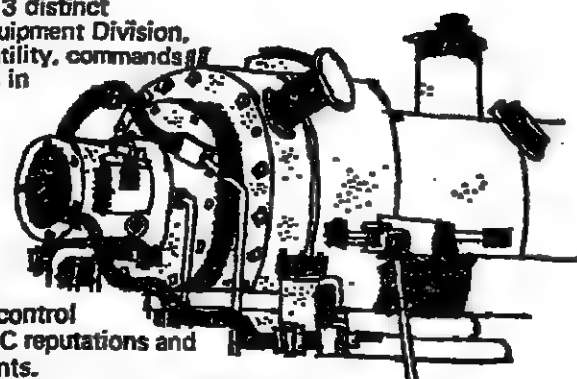
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Indian engineers in the control room at the NOCIC petrochemical plant near Bombay.

India has only recently been blessed with the discovery of its own indigenous oil supplies. On indications so far, they ought to reduce the import bill substantially, and there is the possibility of future self-sufficiency.

## The oil industry

CRUDE OIL imports in 1978 will be reduced by at least 1m. tonnes even though demand by the refineries is expected to rise to nearly 30m. tonnes, an increase of something like 5 per cent. over the past year. That India is able to cut costly imports is symbolic of the success story of oil exploration. It has enabled the country to push up crude production from around 6m. tonnes just a couple of years ago to 11m. tonnes in 1977. Expectations are that production will rise to around 13m. tonnes this year; if exploration and production wells are drilled with the same success of the past few years, even this might be exceeded.

These successes have been achieved by the Government-owned Oil and Natural Gas Commission on the western continental shelf, notably in the rich offshore Bombay High oil field. Commercial production began on May 21, 1976 within 27 months of the first oil strike in February 1974, which must be close to a world record. Oil has also been struck in two offshore tracts nearby—in the North Bassein and Alibag fields—and commercial production from these will begin soon. Exploration is continuing in other established fields on the western continental shelf as well as in other offshore basins considered potentially oil-bearing. With a bit of luck, the country could be self-sufficient some time in the next decade although demand for oil is growing and, as of now, production estimates for 1981 are 10m. tonnes, leaving a gap of 13m. tonnes which will have to be imported.

The new discovery at Alibag, potentially as big as Bombay High, will require investments of the same dimensions. Firm estimates will be made when the field is delineated after drilling of further appraisal wells but the first strike has shown a high yield of 1.475 barrels a day and a gas potential of 250,000 cubic metres a day. The strike came after the Commission had encountered a series of dry wells in the region over a period of nearly 18 months and demonstrates the risky nature of offshore exploration. Yet this activity must continue since established reserves both offshore and onshore give promise of self-sufficiency. To achieve this, the reserves must be explored and exploited in other basins such as Kutch, Bengal, Godavari and Cauvery. Foreign groups given concessions there have not had the same luck as the Commission, which may well find it will have to expand its operations to all potentially promising structures. It is gearing itself for this and has plans to explore the Tapti and Kutch areas. But further exploration will depend on availability of funds.

### Priority

With a high-investment, high-risk industry like oil, much will depend on how much priority is attached to exploration and investment. Because relations with the Arabs and Iran are good and supplies are readily available on attractive deferred payment terms, the temptation is to put scarce resources to use in other less capital intensive projects which will lead to more employment opportunities. So far, oil remains on the priority list despite the relative ease with which it can be imported since foreign exchange constraints could develop again, and also because of its strategic importance. Yet India's energy requirements can be met more easily with coal, which is available in abundance, and there is pressure on the Government to switch to this source.

This cannot be dismissed easily because of the heavy investments in offshore exploration and production. The total cost of developing the Bombay High and North Bassein oil fields has been estimated at Rs.8,540m. (about \$600m.). This is to be carried out in five phases by the early 1980s and the Government has approved an investment so far of Rs.6,840m. for the first three phases. Part of this is coming from the World Bank which is helping to finance the 215 km. submarine dual pipeline to carry crude and natural gas from the two fields to Uran, which will transport them to Trombay for processing and storage. The project must be completed by May 1978 if the investment is to pay off since its purpose is to ensure uninterrupted supplies during the monsoon. At present crude oil is stored in a large tanker anchored at Bombay High while all associated gas is flared.

Refining, on the other hand, is to remain in Indian hands. The past couple of years have seen the successful takeover of the three main foreign owned refineries of Burmah Shell, EXXON and Calter and the limited foreign participation which remains is in the minority holdings by the National Iranian Oil Company in Madras Refineries and Phillips Petroleum in the Cochin refinery. The refining business has been restructured with some difficulty. Sensibly, the move to create just one monolith has been rejected and, with the establishment of Bharat Refineries to take over former British interests and Hindustan Petroleum to handle former U.S. interests, there will be much-needed competition even among Government-owned refineries.

Refinery will come on stream by the middle of 1978 while Haldia, Gujarat and Barauni are being expanded. Expansion of the former foreign-owned refinery is on the cards since this can be done with comparatively small investments and because the can be modified to process the high-war, low-sulphur crude from Bombay High.

Until self-sufficiency is achieved, and this remains distant goal despite offshore finds, India remains dependent on the Middle East. The main suppliers are Iran and Saudi Arabia are expected to increase their share. Political relations apart, India's success in sharing in the industrialisation almost all the oil-rich countries makes it easy not only to obtain crude but also to finance its purchases through trade. India's import bill in 1977 was a new Rs.140bn., although a large part of this is not reflected in its figures because of oil credit and deferred payment arrangements. Since 1977, Russia has also stepped into the picture with supplies of 1.5m. tonnes crude and another 1m. tonnes middle distillates, mainly kerosene. But the only long term arrangements are with Iraq which has promised 144 tonnes in 10 years and this is help to meet the needs of the Mathura unit and the expanded Gujarat refinery. By then, Government hopes it will need imports any more.

### Control

The giant remains Indian Oil Corporation, the largest company in India, which owns the Gauhati, Barauni, Gujarat and Haldia refineries and will soon add the six million tonne Mathura refinery to its empire and thus control more than 70 per cent. of India's total refining capacity. This is at present about 30m. tonnes annually. Apart from the new unit planned at Mathura, the Bongaigaon

K.K.

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## INDIA XXI

The Indian machine tool industry, in the shape of Hindustan Machine Tools, is a proud example of industrial achievement in the subcontinent. But it relies heavily on Government contracts, and is having to adapt to the policies of the Janata regime.

# Machine tools

SEVEN MILES outside Bangalore the Hindustan Machine Tools (HMT) industrial estate occupies 80 acres. More than 100 live and work there—20 in compact rows of low m-coloured bungalows with odd cow tethered outside, or villas surrounded by trees and lawns. The estate has its cinema, co-operative store, post office, police station, swimming pool, sports stadium, club—club—even a fleet of cars, which make a daily trip to Bangalore.

The estate is one of the more visible signs of three decades of remarkable progress which has seen HMT grow from a 400-producer of precision parts into a major public corporation with 19 factories employing more than 20,000—a major producer of more than 70 types of machine tools, subsidiary companies producing watches, tractors, lamps, and printing presses.

HMT is one of the brightest in India's industrialisation programme—both in light engineering and in public sector management. Last year total sales rose from Rs.907m. in 1976 to Rs.935m., with machine tools accounting for Rs.519m. (49.6m.) of which Rs.57m. (41m.) were exports. Total profit after tax fell to 7m. from Rs.58m., mainly because of higher raw material and interest charges. Profit rose by a satisfactory 10 per cent.

Production for the domestic market constitutes about 90 per cent of HMT's output—about going to the defence industry and the rest to car and way manufacture and other parts of industry. Some of the lathes, mini-chuckers, milling and grinding machines are technologically sophisticated, while others



Part of Hindustan Machine Tools' plant at Bangalore in Mysore.

are highly advanced and represent a skilled work-force and a degree of scientific competence that has taken years to build. Thus the post-election winds from Delhi indicating a shift away from industrialisation, have struck a chill in HMT headquarters in Bangalore.

As a highly profitable venture, HMT has greatly reduced its dependence on direct Government finance but still relies heavily on Government contracts. The main hope for future growth, as seen by HMT chairman, Dr. S. M. Patil, lies in convincing the Janata Government that development needs a certain amount of sophisticated engineering—and success in exports.

In this respect last year's 40 per cent growth in exports was highly encouraging, but not as significant as might appear, given the low base. More-

over, much of the growth was due to a Rs.16m. order from Poland—a country not regarded as a potential growth area. Promotion of exports—both products and technology—is being directed largely at developing countries like Indonesia, South Korea, Kenya, Nigeria, Algeria and the Gulf area. Exports to OPEC countries rose to Rs.13.4m. last year against Rs.570,000 the year before.

### Conditions

India cannot compete with Europe and North America in terms of technology and quality, but in the developing world these factors are less important than lower costs and a staff easily adaptable to Third World conditions, says Dr. Patil.

India's army of scientists and technicians, third only to those of the U.S. and Russia in numbers, is still about half of theirs in cost, he adds. So the emphasis in international marketing is to be shifted from products to projects. New HMT offices have been set up in Jakarta, Kuwait and Nairobi. The company is co-operating in projects to set up machine tool plants in Sri Lanka, the Philippines and Nigeria, with similar ventures in Iran, Iraq and Algeria (a \$12m. spin-off contract from one of those is close to signature). Further project contracts should lead to additional product orders and HMT hopes to export between 20 and 25 per cent of its output by 1980-81.

At home prospects are not so rosy—an annual sales growth target of 10 per cent. has been set. But production targets for

the sixth Five-Year Plan 1979-84 show a significant change of direction in the company's development. Machine tool output is to rise in annual increments of only Rs.30m. from Rs.840m. to Rs.760m., offset by a more rapid increase in tractor production from Rs.320m. to Rs.530m. and a marked increase in production of lamps (currently Rs.3m. a year) to Rs.130m. by the end of the plan, and of watches (currently Rs.170m.) to Rs.729m.

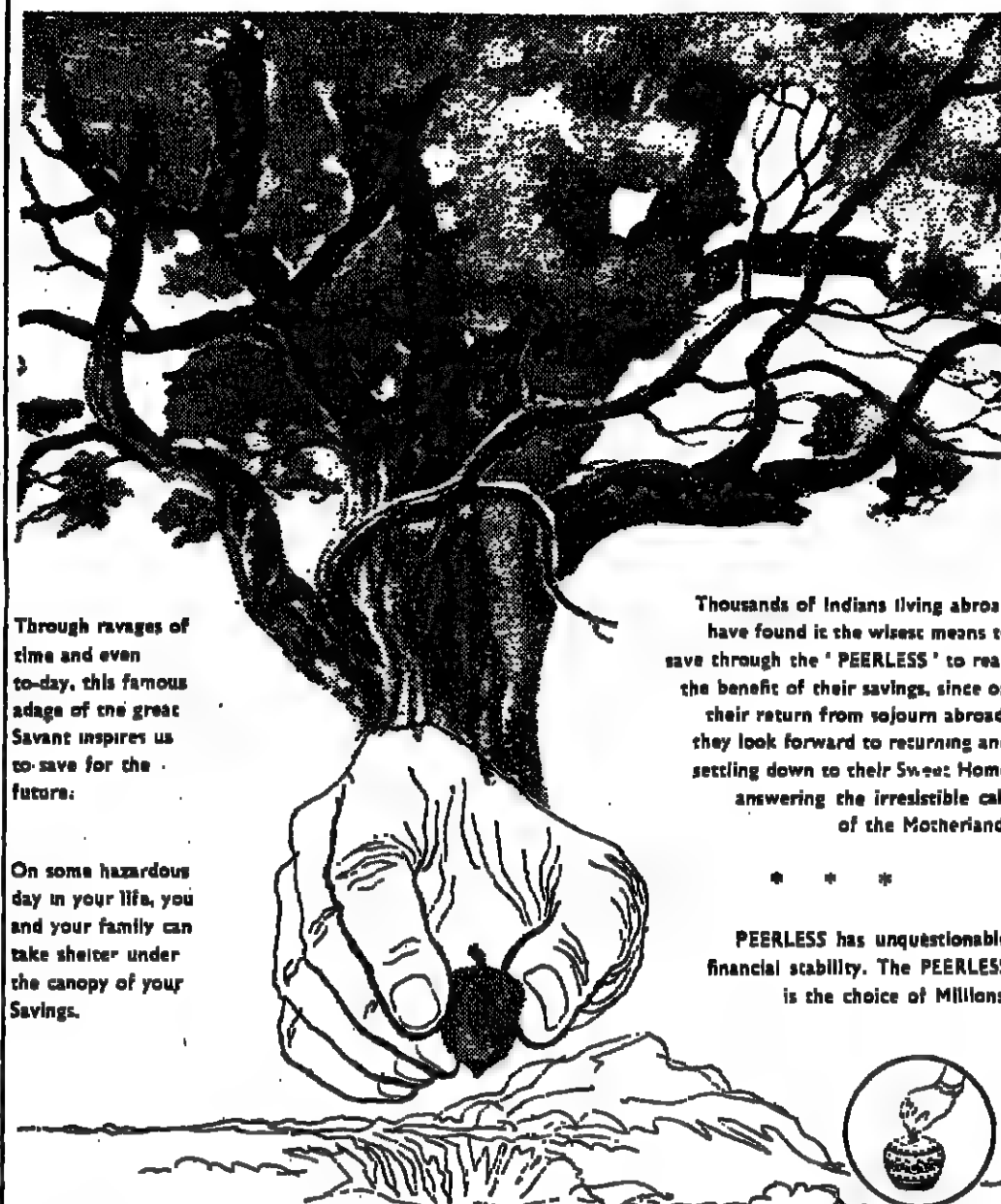
Meantime, there will be a process of adjustment as the company management learns to live with Janata and the Government—and, as Dr. Patil puts it, "finds its feet." Some areas of conflict are only to be expected between a government which swept to power on a wave of anti-Emergency sentiment and a chairman who less than 18 months ago said of the Emergency: "The whole nation owes a great debt of gratitude to Prime Minister Mrs. Gandhi for her supreme courage and vision in devising and implementing with iron will novel and unprecedented measures to tackle an almost hopeless situation. One cannot but shudder at the idea of what could have befallen our country but for the Declaration of Emergency."

But flexibility is all. Public management, says Dr. Patil, has to be more diplomatic than in the private sector, so as to insulate the workforce from Government interference. "I'm a technocrat, not a politician." The chairman's office contains, prominently displayed, a large weathered photograph of the Mahatma and a recent shot of a beaming Dr. Patil shaking hands with Prime Minister Mr. Morarji Deasai. And one of the latest models in the HMT range of watches is called Janata.

M.v.H.

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India has been making a major effort to apply the indigenous advantages of a comparatively skilled and low cost labour force to give the country a competitive export edge. But it has been hard going and foreign involvement is needed.

## Free trade zone

AS a free trade zone a few beyond Bombay Airport, only one in the world where the zone is limited to a single area of products, was set up for two main purposes: in the first was to develop diversified electronics industry to bridge the gap between the high technology of a nuclear programme and lack of sophistication of radio and television manufacturing. That required participation of foreign companies who could only be attracted by exemptions from prevailing limits on foreign holding.

Second aim was to boost in an area with high potential and where had comparative advantages in costs and skills by drawing the marketing outlets of foreign companies. On success has been expectations—and below what the facilities and the experience of firms already established suggest. But Mr. S. Cruz, chief executive for Santa Cruz Electronics Processing Zone

(SEEPZ) to give it its full title, is confident that the pace of expansion will pick up strongly by the early 1980's. Total exports from the zone this year are likely to be \$9m. which is almost a third of India's overseas sales in electronics but well short of the target of \$20m. envisaged when the Zone was established in 1973. By comparison, Taiwan's export zone is grossing \$500m., South Korea's \$110m. and Kuala Lumpur's \$44m.

### Slowdown

The worldwide slowdown in the electronics industry—particularly after the high hopes of a few years ago—has had an adverse impact on SEEPZ. More important is that the Zone has not been able to shrug off India's reputation for red tape and bureaucratic delays—unjustified in the case of SEEPZ—but which has been a psychological barrier to potential investors.

Over half the available space has been allocated. But with the exception of Burroughs Corporation of the U.S. which is in-

voled with Tata's on a 50/50 basis in a \$8.7m. investment in making computer peripherals, the Zone has yet to attract the major international companies in the electronics industry which would provide a welcome boost to its status. Mr. Rajgopal sees no immediate hope of this. He pins his belief on the Zone's future expansion in what he sees as India's unique ability to provide at low cost the manual skills required for areas of high technology such as instrumentation.

Foreign companies already established generally re-export components to their domestic market retaining their own brand name. Interiors of the U.S., however, making integrated circuits and watch modules, sends much of its output to Singapore for further testing. Soshin Electric of Japan, manufacturing mica capacitors, declares it is "very satisfied" with the quality.

At about \$27 a month for a train assembly line worker, wages for the 2,000 employees on the site (nearly all of whom are women) are low—in some cases below the minimum statutory wage in Maharashtra. Labour troubles have been negligible. Unlike Malaysia, for instance, where foreign companies provide their own middle management at high expatriate salaries, Indian executives take over this role and draw only \$200 a month.

Apart from low labour costs, SEEPZ offers most of the incentives common to export zones—duty free imports of machinery and raw materials, easy access to the airport and harbour, rapid turn-around time, and minimal restrictions on the repatriation of profits and capital. An additional advantage lies in the back up from India's broad industrial base which means that many basic materials can be obtained locally.

Unlike most other export zones, however, foreign firms have to pay domestic corporate tax which effectively amounts to about 38 per cent for new ventures during the first five years of operation. Because of double taxation arrangements that India has

with a large number of countries, Mr. Rajgopal claims that this has not proved a disincentive to foreign companies.

In theory the Indian Government permits a 100 per cent foreign equity holding, though the maximum so far has been 74 per cent negotiated last September when Ibaraki of Japan were licensed to manufacture ceramic statites. The Government also requires a minimum of 30 per cent value added in the Zone, though the average among industries in operation is 61 per cent. This is in line with the attempt to attract labour-intensive industries—though the advantages in employment to the Indian economy are somewhat offset by the low level of wages. Among large companies who have been showing an interest in the zone but made no commitment are Mostek of California, Texas Instruments and Thorn Electricals. There are contemplations the manufacture of components for colour television sets. As yet the zone has no international entertainment equipment manufacturers.

### Stringent

Sales to the domestic market are not permitted except under most stringent conditions. This is a major deterrent to Indian companies to set up on their own as domestic sales are the most profitable side of their business because of the protection the receive. Saha—the Indian company already established in the zone in partnership with Soshin, which guarantees orders from Japan for the joint venture—is establishing a new plant on its own outside the zone in Bombay. It is counting on exporting 50 per cent of its output, but nonetheless concludes that the cash incentives the Government grants exporters and the profits from home sales far outweigh the freedom from bothersome Government regulations that can be found in the zone. With Indian companies holding back, the success of SEEPZ thus depends on attracting major foreign companies bringing with them their own marketing outlets.

D.H.

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## INDIA XXII

India is finding a niche for itself in the electronics business, producing not only equipment from computers to pocket calculators for the domestic market, but also showing that it can take export business as well.

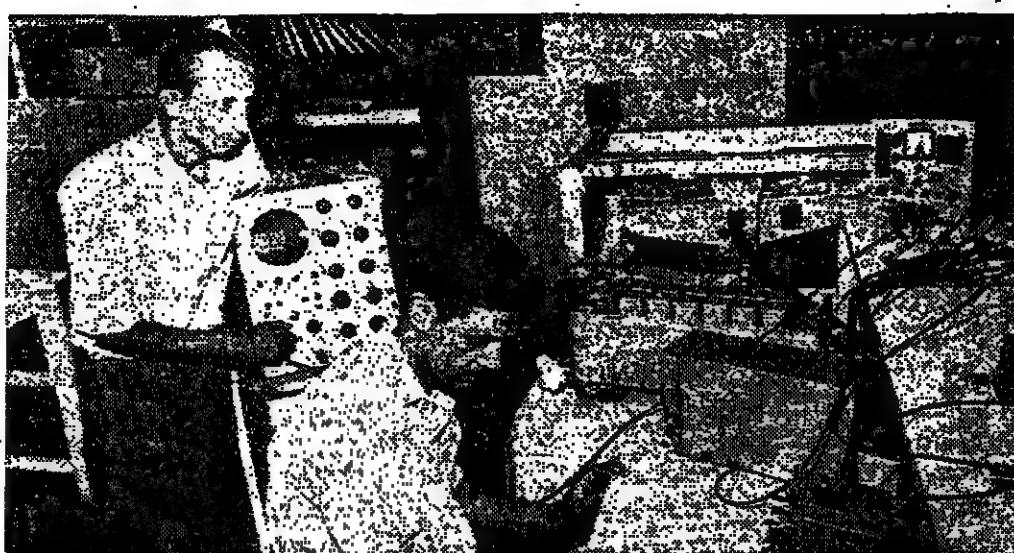
# Electronics

INDIA HAS taken IBM's withdrawal from the country in its stride. Not only has the public sector Computer Maintenance Corporation begun preparations for taking over what it concedes is the vital job of keeping IBM's 150-odd computers going, International Computers India is to gear itself to produce 200 medium-range computers over the next five years, going some way to meeting the demand for about 250 of these in this period. These are needed by major industrial organisations to enable them to meet export and other commitments without job displacement, something no longer feared because of the rapid development of electronics.

But computers are only the more dramatic part of the electronics success story. Recently, the Electronic Corporation and Instrumentation Limited agreed to pool their expertise to offer computer-based data acquisition systems to process industries, particularly power plants, on a turnkey basis. With this, it is expected that the country's requirements of computer-based systems for real-time applications in process industries will be met indigenously. It will also minimise the "down time" of units and increase the periods of operation. Other developments are India's own satellite programme, establishment of electronics, telephone exchanges and the like. But the main strides have been made in consumer electronics and exports.

Total production of electronics items rose from Rs.3.6bn. (about \$23m.) in 1975 to Rs.4.1bn. (about \$27m.) in value, an increase of about 13 per cent. Of this consumer electronics registered the highest growth (25 per cent.) followed by professional electronics items (10 per cent.) while the components sector crawled by with just 7 per cent. Private industry dominates electronics, accounting for nearly 90 per cent. of consumer electronics although professional equipment is mainly in the hands of public sector units.

The technology involved is simple enough for the Janata Government to include electronics among its major areas for rural industry development. Radio and TV receiver producing units have proliferated, as have calculators and, more recently, tape recording industries. Radio and TV sets account for about 80 per cent. of consumer electronics production and output has risen so rapidly that there is now a glut. Production of TV sets rose from 96,800 in 1975 to 143,500 in 1976 while that of radio sets increased



Overhauling electronic equipment at Air India's Santa Cruz engineering base.

from 2,82m. to 2,98m.—mainly of the pocket transistorised variety, selling as cheaply as Rs.45 (\$3) each. However, the total of 22m. radio sets in the country is considered low in comparison to the population; by UNESCO standards, which say there should be one set a family, India should have 120m.

### Distinctive

A distinctive feature of the last couple of years is the demonstration that small scale units, hitherto regarded as being capable of making just the simpler consumer electronic products, can successfully manufacture high technology products like micro-processed-based data handling systems and digital instruments. Control, instrumentation and industrial electronics produced in 1976 were worth Rs.550m. compared to about Rs.400m. in the previous year. A modern range of process instrumentation based on the standard unified system, as also a number of different kinds of on-line analytical instruments, are now in the market. Instrumentation Limited has just executed a Rs.30m. project involving a computer-based data acquisition and instrumentation system for a thermal power plant and has

recently bagged another Rs.40m. project of the same kind in that country.

An indigenous manufacturing base for electronic weighing systems, including weightfeeders for cement, steel and other process industries has been established. Programmable test instruments became available for the first time last year. Several sophisticated medical electronic equipment such as eight-channel recorders, defibrillators, cardio-scopes, crash carts and the like are now being made. Electronic instruments for use in coal mining—including continuous methane monitors and central dispatcher systems, have been commissioned. Even in agriculture, electronic instruments such as the moisture meter, are slowly being accepted and new areas for their application are being identified.

Production of aerospace and defence equipment during 1976 remained at the 1975 level. In this wholly central Government sector, production is strictly related to specific user needs and Rs.800m. worth of electronic components were produced during 1976 compared with Rs.750m. in 1975. An overall increase in component production has taken place, because of the large increase in the pro-

duction consumer electronics items (particularly TV receivers). Components which have registered a substantial increase in production include plastic film capacitors, aluminium electrolytic capacitors, tantalum capacitors, ceramic capacitors, variable capacitors, metal film resistors, potentiometers, loudspeakers, soft ferrites and magnetic tapes.

Exports of electronic items during 1976 were worth Rs.371m. compared to Rs.162m. in 1975, showing a growth rate of 67 per cent. A significant contribution to this came from radio parts and electronic components which have shown a growth rate of about 25 per cent. Public address equipment exports grew by over 100 per cent. Radio-cum-cassettes, FM radios, variable gang condensers, inter-communication sets, multimeters and battery eliminators are among new items exported in 1976-77. The year also saw the start of exports of electronic calculators. Electronic watches and prerecorded cassettes—two items for which world demand is rising—is a new field which India is to enter this year.

K.K.S.

India is in the market for capital investment, and the Government is to allow equity participation in joint ventures abroad—which bodes well for Indian companies operating in developing countries.

## Joint ventures

INDIA IS already exporting suitable for their stage of development or does not create sufficient jobs. Indian firms have adopted a selective approach, offering technology which has been locally developed and hence can be easily transplanted in similar conditions. In this field, there is no competition with the industrialised nations. In fact, India and the advanced countries have a complementary role since the U.S. and Europe are somewhat suspicious of cannot fully cope with requirements of Third World countries, even in ventures they have been chosen for. Hence, the next few years will increasingly see triangular ventures. The concept has already been given formal approval in recent agreements with a number of industrialised countries for co-operation in third countries. The method chosen by the government is to establish joint commissions with other countries, most of which are headed by ministers to identify areas of cooperation. With governmental backing, most commissions have found cooperation in third countries to be mutually profitable. This will result both in triangular industrial ventures and in joint bidding for contracts all over the world.

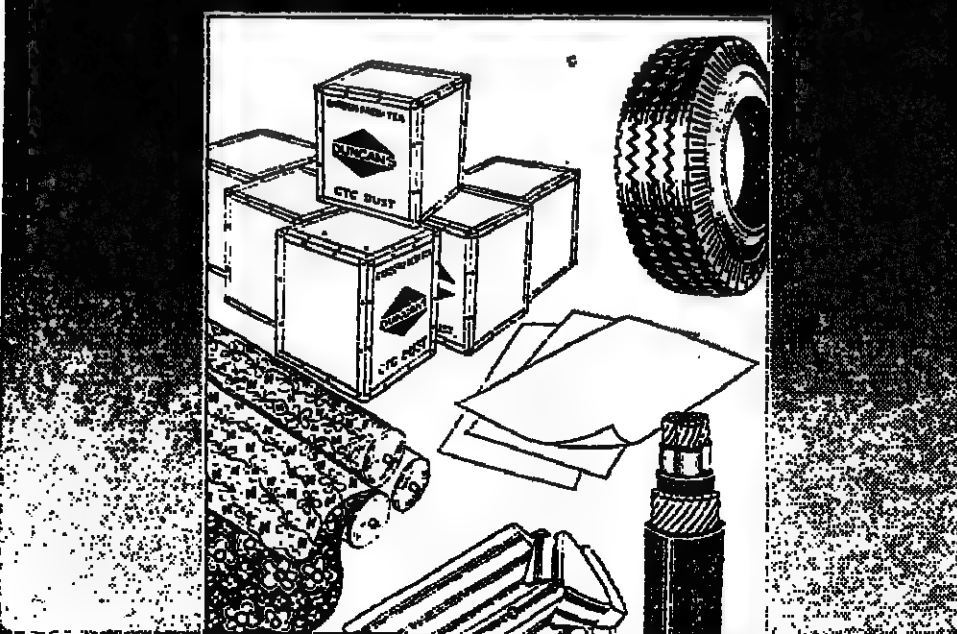
### Consultancy

This is to be particularly adopted in consultancy. A major example is Libya, whose economic development programme has virtually been drawn up by the National Industrial Development Corporation (of India), and which is the Arab country with which India has established the closest economic relations. This is part of the political payoff of the country's foreign policy, since many collaboration agreements sponsored by other governments have followed decisions on preferential treatment for Indian firms, which thus have a head

start in the Third World. Now that procedural hurdles have been overcome by the creation of an inter-ministerial committee in the Commerce Ministry to take quick decisions on approval of applications for joint ventures abroad, such enterprises are expected to multiply rapidly. Good foreign relations have helped India to win an increasing number of turnkey contracts. The Arab countries—Libya, where India is building airports, industrial estates and a host of other projects, is again the prime example—have often awarded contracts to Indian firms without the formality of global tenders. This increased after last year's experience by Saudi Arabia in power generation projects, for which a number of western firms made inflated tenders that were scrapped and farmed out to four countries, including India, at a tenth of the lowest bid. Yet India's capacity to participate in jobs of the dimensions of those offered by the oil-producing countries is limited, both because of the scale of the contracts and the technology involved. Both exclude India from becoming the prime contractor. Hence, Indian firms are trying mainly for subcontracts with increasing success, providing parts of consultancy services, construction work and equipment cheaply to enable the prime contractor to make low bids (after prior commitments from Indian companies) that benefit all parties concerned. In these Indian firms and the developed countries again play a complementary role which is being increasingly appreciated for their mutual benefit. In the instance, an Indian engineering firm obtained a slice of a contract that was worth Rs.300m. without its help, the principal Japanese contractor would not have got the job.

CONTINUED ON NEXT PAGE

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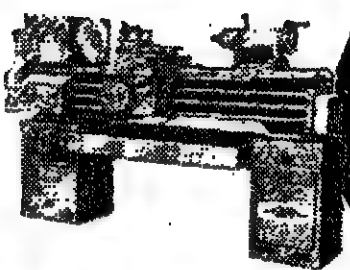
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مكتبة الأمل



In spite of the world recession in the industry, India is considering several major steel projects. But these would have to be financed from abroad, and for this reason the proposals have met a hostile reaction inside the country. On the bright side, India's steel plants are currently making a profit.

## Steel industry

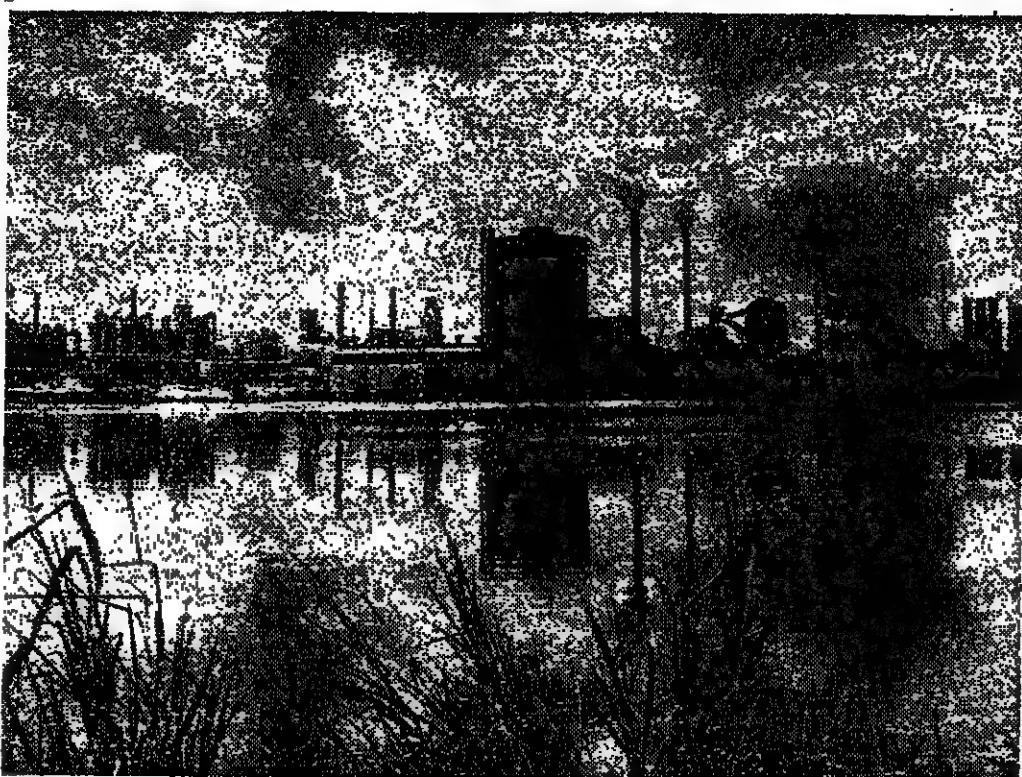
CEDED WITH an internal and external recession in the steel industry and with the problem of scarce resources for investment, India's Steel Minister, Mr. I. Patnaik, is toying with the idea of encouraging foreign investment in new steel plants. This is in line with the Kudremukh concentrate project as a pilot; this will cater to the needs of India, which has given an advance loan of \$650m. for development. Mr. Patnaik has no reason why this cannot be extended to other sectors and already has offers from other governments and multinational companies for three steel plants at least one alumina project. All three are proposed to be based at coastal points convenient to iron ore belts so the manufactured steel can be exported easily.

Mr. Patnaik's thinking is based on three considerations. First, the country has neither resources for new plants, nor ability to use their production. Second, development of plants will not only increase industrialisation in the heavy, metal-intensive sector at a time when the country's own scarce resources are directed to agriculture and the small-scale sector but will provide further employment opportunities both directly and indirectly through the employment of ancillaries, infrastructure, and so on. And, third, since the idea is to export the bulk of it, the country's foreign exchange earnings will improve. The hope is that the time India reaches a stage when it can use more steel in the country, there will be installed capacity available for export.

But Mr. Patnaik faces resistance to what is, on the face of it, a highly sensible proposal. It is mainly ideological; at a time when the country is resisting foreign investment, it seems the Steel Ministry is throwing a key sector open to foreigners (Government or companies). This has raised eyebrows because steel has been the pride of the Government and the Tata Iron and Steel Company (TISCO), the capacity in the integrated steel sector. It should remain so as State policy and pressures against Mr. Patnaik's innovation building, even though Government of many "friendly" ties have made bids for proposed steel plants.

### posed

A study group formed by the Ministry on the subject has recommended expansion of the steel industry, declaring that financial expansion should be found. The group has also stated that expansion of existing steel plants and installation of new ones should go hand in hand to provide a base for expansion. What is proposed is planning for plants without reference to existing pattern of steel production or requirements of future. Other studies have stated that location of steel should be based "solely" on economic considerations. A difficult proposition since all the States are vying for them and the Ministry is committed to a "regional" development. These are issues the new Ministry will have to contend with while formulating its economic development proposals for making



India's major private sector steelmaker is the Tata Iron and Steel Company.

the steel industry viable are being studied. These are based on reports of other study groups which have recommended a debt-equity ratio of 1:2 for steel plants; this will keep the interest burden on them light and enable them to build up liquidity, especially if another proposal for an "interest holiday" is accepted. A major recommendation is that plants should be allowed a 15 per cent return on investment on the basis of 90 per cent utilisation. Taken together, the proposals would do much to put the steel-making plants on their feet since inadequate pricing has been the bane of steel units. The economic pricing of steel which is implied will almost certainly be resisted since higher steel prices will lead to demand constraints and a deceleration in industrialisation, quite apart from the impact on other industries. But the alternative is a subsidy for the steel plants and if the bill for this subsidy, as it will, there will be a ready-made argument for opponents of expansion of the steel industry.

Such arguments reckon without the importance of steel even to the priority sectors like agriculture; it is often forgotten that steel is almost as important as input as fertilisers since modern methods will require mechanisation. At present, India accounts for just 1.4 per cent of the world's steel output. Yet there is a suggestion that there is over-production in a market without demand. This is not supported by the latest report of the Steel Authority of India (SAIL) whose balance sheet shows impressive earnings and a handsome margin of profit for the second year in succession. True, this is partly accounted for by

higher export earnings which totalled Rs.3,32bn. when output of saleable steel increased by more than 27 per cent, while profits doubled to Rs.700m. at a time when countries like the U.S. and Japan cut production. Whether this continues is a moot point, although all the signs are that the international recession will not end soon. And, though Indian production during the first part of the current financial year was about 22 per cent higher than for the same period of last year, exports have already begun to decline. SAIL still hopes to sell 1.5m. tonnes abroad this year, but there is some doubt about whether the steel industry should rely so much on external demand. The entire argument for a domestic steel industry was to reduce import costs and encourage the engineering and other manufacturing industries which had earlier complained of being starved of raw materials. There is a lesson somewhere in the fact that India has not been able to absorb even the 10m. tonnes of steel which is expected to be produced this year.

### Encouraging

However, India's steel plants were in the dumps for so long that it is encouraging that they are at least collectively showing a profit. Particularly gratifying is that most of them report better labour relations and improved functioning. Bokaro is working at 92 per cent of its installed capacity while even the Durgapur plant, chronically bedevilled by problems since its commissioning, managed to reduce its losses from Rs.200m. to Rs.80m. What remains to be explained, however, is whether the discernible picking up of the home market does, in fact, indicate a return of confidence

and revival of general industrial activity. Purchases by public sector undertakings, for instance, may be explained by transfers of stocks; other buyers delayed commitments because of political and budgetary uncertainties. A depression in the construction of both private and public buildings may account for the lack of interest in bar steel. Legislation on urban land ceilings may have something to do with this, although the northern and western States appear to have consumed a substantial amount of light structural and flat steel while the eastern and southern Indian regions are lagging behind. The overall outlook will not improve unless the Government takes decisive steps to encourage industrial regeneration since the manufacture and sale of steel must be seen as an integrated feature of co-ordinated growth. While overall strategy on steel is still to be worked out, the Government has decided on a controversial restructuring of the public steel plants which are to be brought under an integrated, rather than a holding, company, the fifth time this exercise has been done. All the plants will now be SAIL subsidiaries, including the Government shares in the Indian Iron and Steel Company, while the Metallurgical and Engineering Consultants, Hindustan Steel Works Construction and the National Mineral Development Corporation will become independent. The object is to make "functional divisions" in SAIL so that it will look after matters of policy at corporate level and manage the affairs of its various units. Maximum autonomy is to be given to the chief executives of various units to ensure maximum efficiency.

K.K.S.

## Joint ventures

CONTINUED FROM PREVIOUS PAGE

But in some fields, Indian firms have a definite edge and are being regarded as serious rivals by their western competitors. These include transmission towers and lines, sugar mill machinery, textile mill mach-

inery and a host of agro-based industries, particularly the labour-intensive variety: the number is bound to grow in future as promotional and servicing organisations like the Association of Indian Engineering Industries (AIEE) do the basic spadework for firms which are still unaware of the vast prospects for business abroad. AIEE last year established a business office in Daman, Saudi Arabia, which caters to the needs of its members, and it has proved to be a highly lucrative source in the few months it has been operating.

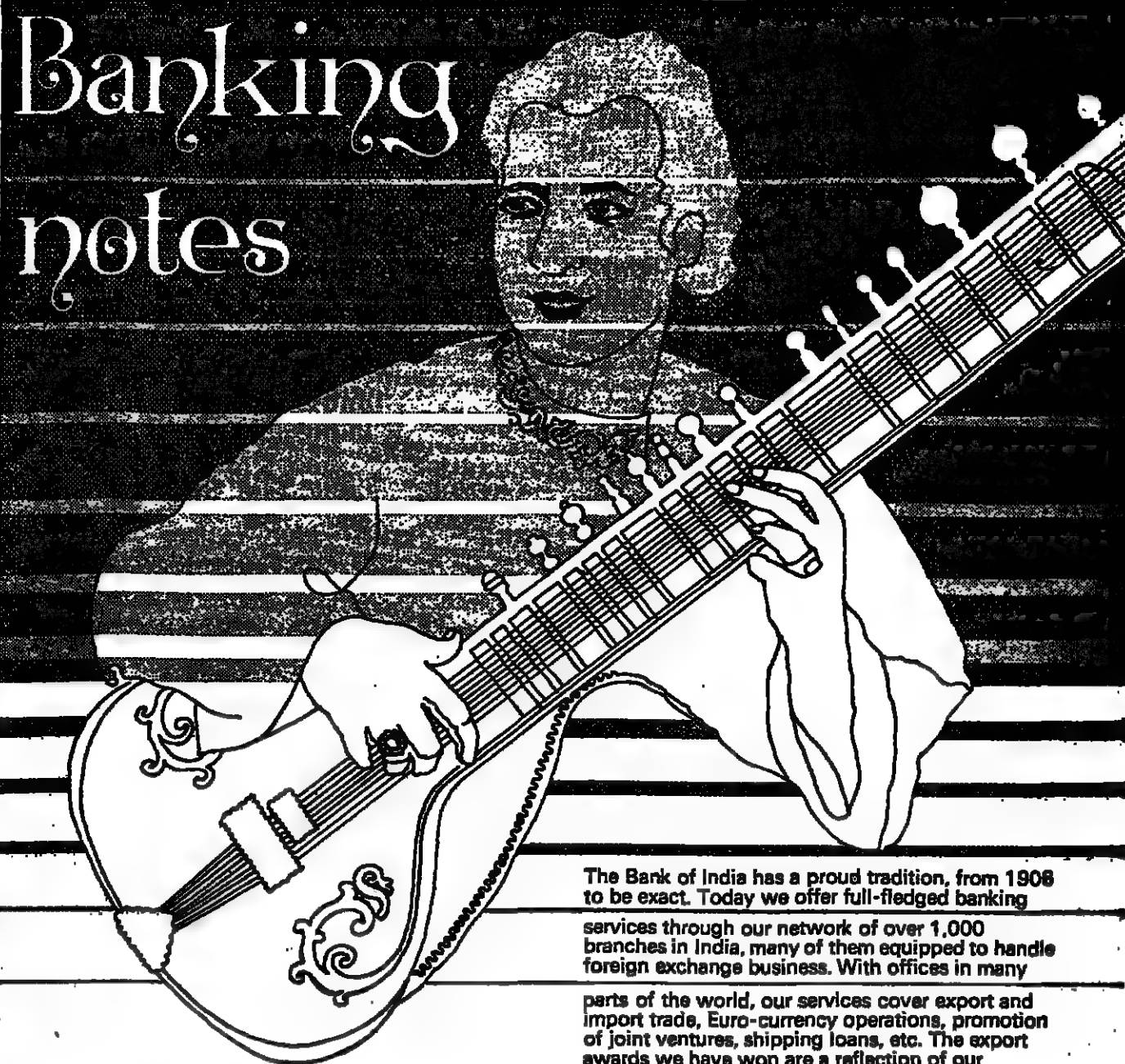
The major turnkey jobs have been won by the public sector giants, which have not only their own resources for carrying out the substantial work involved, but also have governmental backing. Most successful are Bharat Heavy Electricals in power generation projects and construction companies like Engineering Projects India (which is building a complete township in Kuwait) and the National Building Corporation. The latter appears to be the most promising area in which the door has been opened to Indian firms and which they plan to enter vigorously, notwithstanding the disability of being unable to make the pay-

offs and offer the fringe benefits that their western rivals can. This is a major constraint on public sector firms, which are barred by official regulations to seek business in a manner that seems to be permitted to their competitors.

Despite this, 23 turnkey projects involving substantial amounts were won last year in Asia, Africa and Latin America. Apart from those involving laying of transmission lines and building sugar and textile plants—which Indian firms seem to get for the asking—these include an integrated steel plant in Libya, power generation equipment in Malaysia, a water treatment project in Iraq, a tuna fish canning plant in the Maldives, a cement plant in Lebanon and a plant for the manufacture of propylene woven sacks and polythene liners and box strappings in Iran. Many more are in the pipeline. The most prestigious, if they come through, are for the laying of railway lines in Iran and Iraq which are being negotiated by Rail India Technical and Economic Services, a subsidiary of Indian Railways, which has already established an international reputation.

K.K.S.

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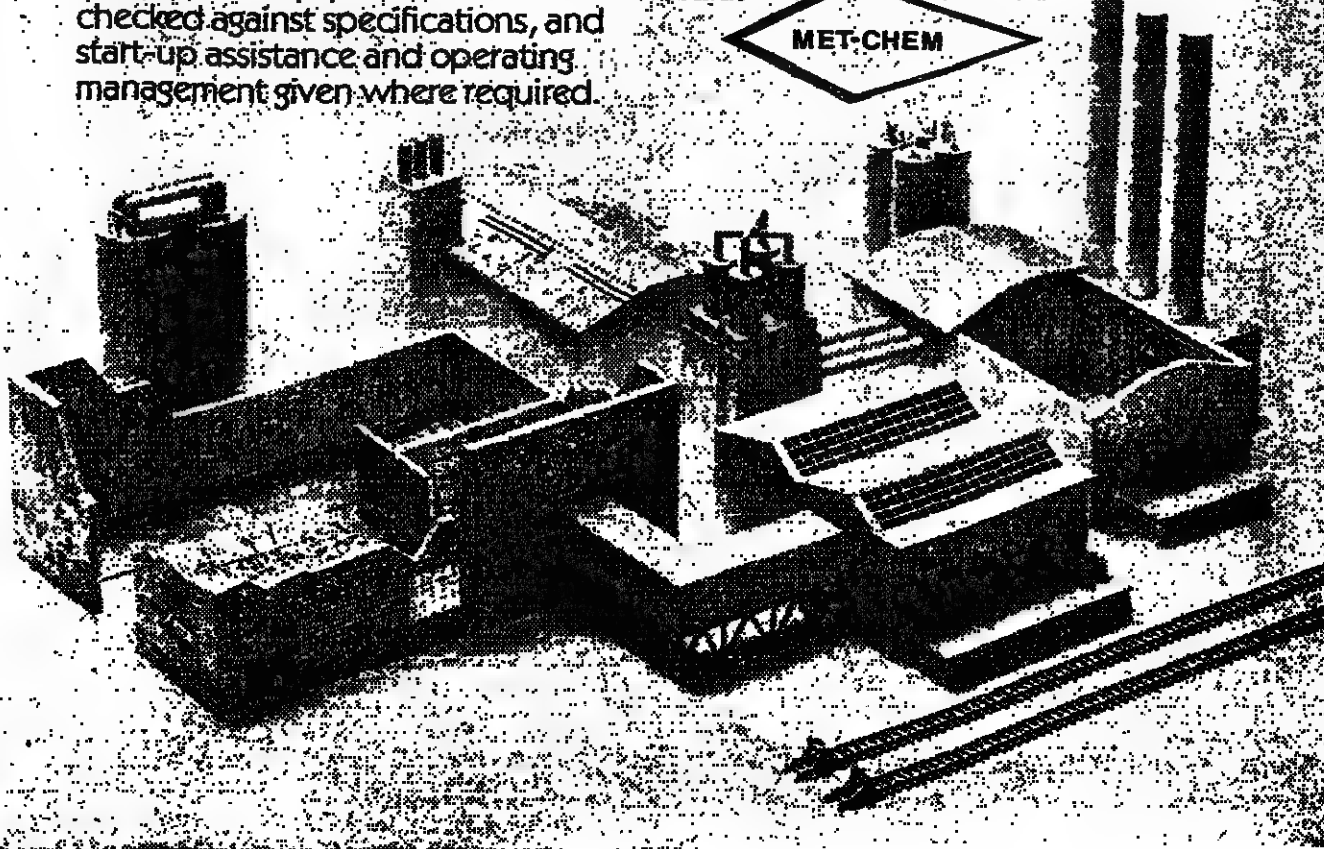
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## INDIA XXIV

Scarcity of power and water is chronic in India, but plans to provide more power as well as regulated irrigation look like taking a long time to implement. The problem is growing, and needs single minded concentration to resolve.

## Power and water

MR. MORARJI DESAI recently held out what seemed a dream to industrialists and farmers facing the problems of power and water scarcity. There would, he said, be no electricity shortage, no water shortage, no unemployment if the Rs150bn. (about £10bn.) national irrigation scheme now being considered by the Government comes through. The scheme has been prepared by a well-known Bombay engineer and the Prime Minister's eulogistic reference to it suggests that it is being considered seriously as an answer to the country's problems. It is only when Mr. Desai admitted it would take another two years for the scheme to take shape that a hint of wishful thinking crept in. Both power and irrigation are urgent problems which need immediate short-term measures to tackle and it is a heartening sign of pragmatism that the Government has approved the use of the huge foreign exchange reserves for import of diesel generating sets and gas turbines.



The Bhakra Dam on the River Sutlej in Punjab.

Power shortages are a major problem for both industry and agriculture despite the addition of 1,700 MW of capacity on an average every year. This represents something like 12 per cent. of energy output but demand is rising at 18 per cent. annually. One study says power requirements are likely to jump from 100,740 kWh in 1977 to 185,064 kWh in 1983. Despite the planned addition of 15,385 MW of installed capacity, the deficit of 7,623 MW is expected to more than double at about 17,000 MW. The Government is aware of the dimensions of the problem and the crippling effects it can have on the economy, and a working group is finalising long- and short-term plans which it is hoped will be spelt out in the next Plan document.

The present emphasis is on thermal plants, although installation of new units should really be preceded by quick planning on proper maintenance: if losses during both generation and transmission could be eliminated, almost half the problem would be solved. Even new thermal units will take a minimum of four to six years to commission, however, and there is no escaping a difficult position and costly and irksome load-shedding for some years. This despite thinking in terms of super thermal plants, four units each of 400 MW of which have been approved and suggestions for even bigger stations have been made. Final plans are yet to be announced but indications are that apart from schemes for another 10,000 MW in the next five years (both thermal and hydro-electric), there will be further efforts to increase installed capacity. Rs.10bn. a year by 1980 and is being pursued by a special committee of industrialists which meets bi-monthly to keep track of targets, performance and orders by the country's 51 units, including four in the public sector.

## Capacity

The plans for substantially increasing generating capacity will have no real meaning unless they are presented in detail with a clear statement showing their feasibility and the financial, technical and administrative arrangements for their execution. Resource requirements assessments vary considerably but all are substantial and it is by no means certain that, no matter what the priority given to power generation, these can be raised. And even the best-considered projects can be stalled on this account. Irrigation needs could also be delayed because of resources constraints and the decision to irrigate an additional 3.4m. hectares annually, compared with the present annual rate of less than 2m. hectares, seems highly ambitious. Some experts feel that much would be gained if attempts were made to limit losses, since one assessment is that 80 per cent. of canal water is lost before reaching fields. Bharat Heavy Electricals

(BHEL), the country's growing manufacturer of generating equipment, has strengthened its organisation at various levels and the unit responsible for installation and commissioning is now headed by a full-time executive director and group general manager. A catalogue of spare parts made by BHEL, which has won a number of prestigious foreign contracts abroad, is maintained together with those for imported sets. Hopefully, this will enable various state electricity boards to make inventories for maintenance of their power plants.

The major no purpose unless irrigation schemes now being considered—Mr. Desai's dream, new cultivation methods, generation of hydro-electricity and even pisciculture and navigation are seen as common features of integrated programmes. The problem with this broad-ranging view is that the immediate needs of power and irrigation draw attention away from co-ordinated and rounded plans. Recently, an eminent commentator suggested the establishment of an international "Greater Ganges Commission" to give "fresh and bone" to the concept of optimal development of the entire Ganges-Brahmaputra basin. This has a hydro-electric potential of 50m. kW, or 10 per cent. of the world's total—a vast reserve of cheap, clean, renewable energy—as well as an average annual capacity to irrigate 1bn. acre-feet. But diversion of attention by what are undoubtedly attractive projects which need world attention, especially since they have been favourably noted by the Prime Minister, when industry is being crippled and agriculture held back by more mundane problems of maintenance and establishment of modest quick-yielding projects, is a danger the planners will have to avoid.

K.K.S.

The forging and casting industry is growing rapidly, but still lacks sufficient technological sophistication to meet all the domestic and export requirements it needs to.

## Foundries

A FOUNDRY export group made in production of intricate and critical castings for such industries as railways (automatic CB couplers, high-speed cast steel bogies, alloy steel gas inlet castings for diesel locomotors), steel plants (heavy duty bogies, platform cars, slag pots), power plants (turbine castings), high-pressure, high-temperature valve castings, defence equipment, cement plants and the like.

But representatives of the industry admit they lack the required level of technology to meet the challenges of the entire range of sophisticated domestic and export market requirements. While they feel that some horizontal transfer of technology is possible, there is a need for foreign technical collaboration to enable the industry quickly to cater to the export and sophisticated domestic demand. Power supply is

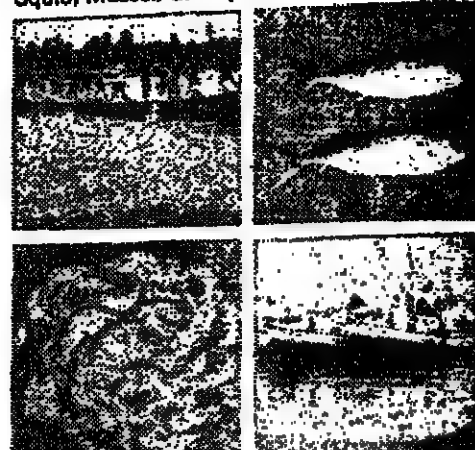
another constraint. Nearly 2,500 kWh are needed for production of one tonne of finished castings and the cost of power in India is nearly five times as much as elsewhere, blunting the competitive edge of the industry.

At present, installed capacity of the steel castings industry is around 160,000 tonnes a year. Actual utilisation of capacity is a low 40 per cent. Since installed capacity is expected to rise to 200,000 tonnes by 1978-79 and demand is unlikely to increase beyond 80,000 tonnes, the drive to find markets outside the country is being pushed vigorously. This will be helped if the quality of raw materials like scrap, silica and refractories and ferro-alloys is improved, the import duty on graphite electrodes cut and power tariff reduced. These steps are now being considered by the Government.

CONTINUED ON NEXT PAGE

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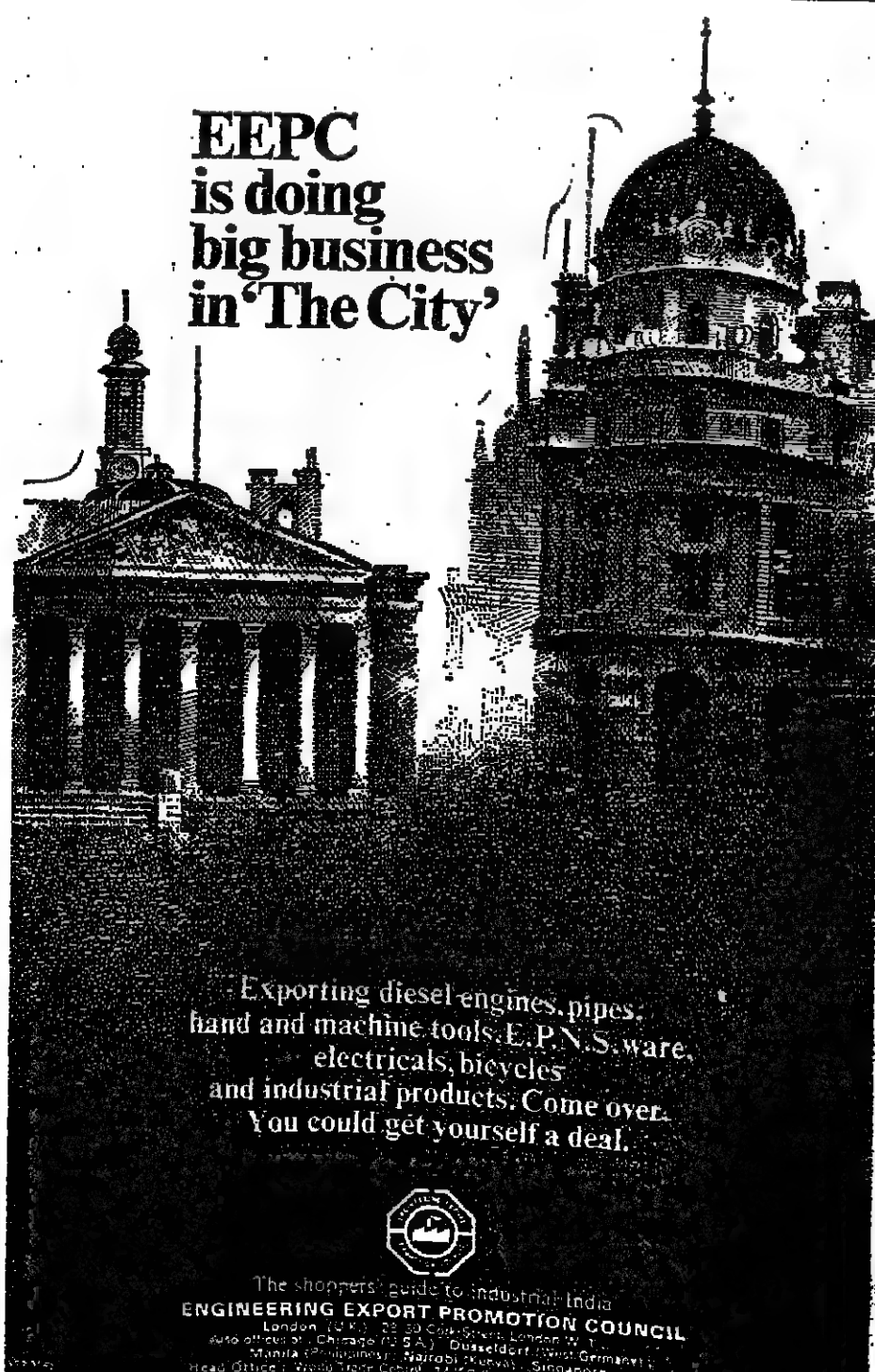
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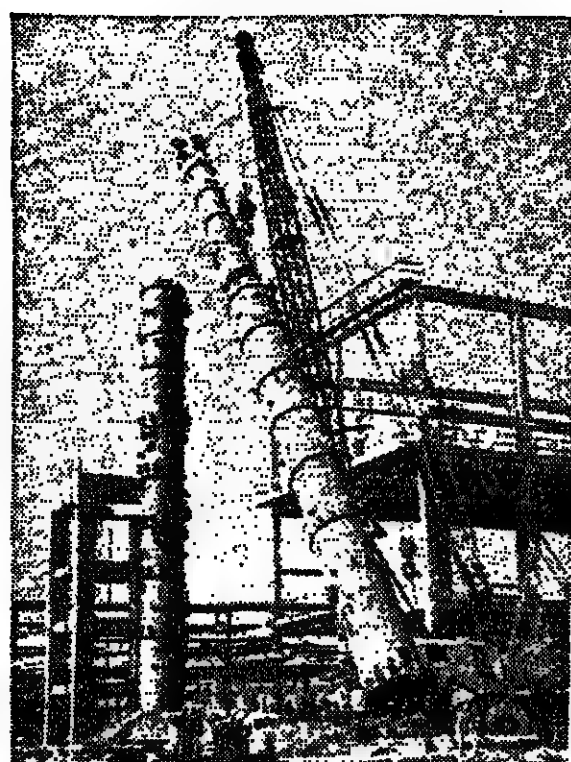
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## INDIA XXV

**Prospects for Indian jute products have improved with a large Australian order secured and an EEC decision to allow unrestricted imports of jute goods. But worries are being caused because the country's jute crop has been falling short of expectations.**

## Jute production

THE INDIAN jute industry, with various mills, and deals which usually has a problem in marketing its products overseas in competition with synthetics and neighbouring Bangladesh, has been free from that worry or some time. Steady buying by the U.S. and Russia has given it a sound order book. The former is the major customer for the industry's most lucrative item, carpet-backing, while the latter takes substantial volume of hessian, too a high-value product. As for sacking, the coarse and relatively low-value item which India has for years found difficult to sell abroad, prospects have suddenly improved with large Australian order for oilpacks and with bumper harvests at home making their own demand felt.

Both the export registration figures and actual exports are markedly ahead of the corresponding figures for the previous year to end-October. If reports at the Bangladesh mills are correct, then the Indian mills should have smooth sailing in foreign markets until international demand for jute goods begins to flag. Judging some recent developments it looks as if foreign demand for goods, or for jute goods generally, is going to remain at a high level for months to come. The European Economic Community has decided to restrict imports of jute goods as well as duty. It has also agreed to contribute to funds for a promotional campaign that India's Manufacturers Development Council will be undertaking in the member countries to open new markets for jute goods, especially carpet-backing. All this indicates definite possibilities for expanding exports to the EEC.

Another encouraging development is the interest which Japan is showing in Indian jute goods. Ever since the oil crisis has been steadily importing increasing quantities of Indian goods, and this year Japan wants to buy about as much as 50,000 tonnes against an average of 25,000 to 30,000 tonnes so far. A delegation has already visited Calcutta to negotiate purchases while many more curtailed out-

## Costs

Manufacturing costs have been rising because of the high prices it has been having to pay for raw jute, which accounts for 60 per cent. of the total conversion or manufacturing cost. Wage costs account for 25 to 27 per cent. of the total in this labour-intensive industry. Since the Government will not allow any reduction in the labour force while at the same time persistently goading the mills to modernise their machinery, the only way the industry can obtain economies in manufacturing costs is to buy its raw materials at economical rates.

But during the past two seasons India's jute crop has been falling short. During the 1976-77 (July-June) season, the crop turned out to be much less than the 7.2m. bales originally estimated, with the result that in the absence of imports a tight supply situation developed in the markets towards the end of the season. In the month of June alone, half-a-dozen mills were forced to suspend operations because of the raw material shortage. A delegation has already visited Calcutta to negotiate purchases while many more curtailed out-

put. At one point nearly a third of installed capacity remained idle on account of closures, partial or total. The position continued to be bad until the new crop arrived on the market around the middle of August, and soon there was such a scramble for whatever was available that the Jute Commission, who had lifted the price ceiling and other regulations limiting mill stocks at the beginning of the new season, felt obliged to reimpose the price ceilings and the regulation compelling mills to carry stocks equal to their 12 weeks' consumption (subsequently reduced to eight weeks) to minimise the pressure of demand on the market.

These regulations remain in force, but their effectiveness is limited by the fact that most of this year's crop has already been sold and very few transactions are taking place at the officially prescribed prices. According to some trade sources financially stronger and more resourceful mills have cornered the bulk of this year's crop, leaving the weaker mills to seek the aid of the Jute Corporation of India—the official body that makes raw jute purchases as a price support device, but which has so far not been really called on to do much in the market where the ruling price is much above the officially fixed minimum—to find their raw material.

Given a short crop for the second year in succession, this is what was to be expected. The crop this year is variously estimated between 6.2m. and 6.5m. bales, and with a small carry-over of half-a-million bales, the total supply will run somewhere between 6.7m. to 7m. bales.

With imports highly problematical—the Government has decided to import only in principle, and not an ounce has landed yet—a supply of even 7m. bales would be clearly inadequate for all the mills working to their full combined capacity of 1.2m. tonnes. But as it happens six mills still remain closed and power restrictions in West Bengal have forced the rest to keep part of their capacity idle.

## Imports

Even then, according to the Indian Jute Mills Association's calculations, with the raw jute supplies available in the country not more than 80,000 tonnes of jute goods can be produced per month from December onwards as against a normal monthly output of 98,000 to 100,000 tonnes. If this is so, the production rate for the next seven to eight months—that is, until the next Indian jute crop arrives in the market—then in the present conditions of demand, gunny prices are going to rise. In fact a rising trend is discernible in jute goods prices already, hessians in particular.

There are two serious problems about raw jute imports.

First, prices in Bangladesh and Thailand (the two countries from which raw jute can be imported) are very high compared with the officially fixed rates in the Indian market—so high in fact that Indian mills are unwilling to take imported jute without the Government subsidising imported prices to the point where they come on par with Indian rates. Since the mills cannot be forced to use imported jute as they say they will lose their present competitive advantage, the Government is trying to find out how many mills will take imported jute at its landed cost. Only two or three mills have indicated their willingness. Hence import licences have not been issued. Secondly, even if there were no such problem over costs on the Indian side, raw jute at the moment is not easily available abroad.

The current raw jute problem has an important lesson for India—that it must find ways of preventing sharp fluctuations in the crop from one year to the next. In a country like India, raw jute cannot really compete with rice for acreage as long as food prices remain high, but it is already accepted that yield and quality of fibre can be increased from a given acreage if adequate efforts are made. Efforts of course are being made but clearly they are not adequate. The problem is how to motivate millions of farmers who are engaged in the cultivation of this cash crop. Model farms can be started and run by the Government or the industry but how can the results of research be disseminated among the widely scattered farmers?

The Government and the industry must find a way. The industry in particular would stand to gain a good deal if the quality of the fibre improved, as would the farmer if the same acreage gave him more output. A better quality fibre would help the industry to go in for a greater volume of finer and decorative products, for which the demand potential abroad is great. Unfortunately with a few exceptions Indian jute mills are not very research- and development-minded, the amount of money laid out on R and D is hopelessly small, and only a tardy effort is being made to modernise mill machinery, despite financial aid promised by the Government. This last failing stems partly from the financial debility of most units in the industry. Years of low profitability have not allowed any build-up of reserves to be used or capitalised for such purposes. Moreover, the industry as a whole, is none too sure of its future, noting that the producers of competing synthetics are investing millions of dollars to improve the competitiveness of their products vis-à-vis jute, and have already taken away a lot of jute's established preserves. Borrowed money, whatever the terms, has after all to be repaid.

A generous cash subsidy on

jute goods exports has currently come to their help, but they realise that subsidies cannot be a permanent feature of the gunny export trade. Only some positive international action to stabilise jute goods prices in the world markets, and at the same time help expand the world demand for the commodity will put some heart into the Indian jute industry. From this point of view, the recent meeting of some 150 countries in Geneva under UNCTAD auspices to discuss commodity stabilisation measures (covering some ten basic commodities including jute) was of great interest to India. It is realised of course that a lot of thorny issues—like the actual control of the fund that will operate the buffer stock and finance market promotion measures, and distribution of voting power in the International Council—have to be sorted out before an international commodity agreement comes into force. They will be thrashed out when a draft agreement prepared by the UNCTAD secretariat for jute is discussed by an inter-governmental group in Geneva.

## Voting

However, at the New Delhi seminar on jute organised by UNCTAD for jute producing countries, representatives of India, Nepal and Bangladesh (Thailand and Burma, the two other invitees, did not participate) felt that they must take a common stand on issues like voting power in the International Jute Council in the proposed draft agreement, as well as on issues like price stabilisation, market promotion and research and development. It would be interesting to watch how the UNCTAD intergovernmental group will reconcile the divergent viewpoints of the producers and consumers, who are both represented on it.

The International Jute Council is not to be confused with the Jute International which is to be a body of jute producers only, the idea for which was conceived by another UN body, UNIDO. India, Bangladesh and Nepal will be its members if and when it comes into being. After showing some initial enthusiasm Bangladesh appeared suddenly to lose interest. But recently President Ziaur Rahman has reportedly agreed to participate, provided the headquarters is in Dacca and the main research centre in Calcutta, exactly a reversal of what the original idea was.

If India and Nepal agree to his proposal then the Jute International now seems to have a greater chance of materialising than seemed likely some time ago. If and when this body comes into being, it will be mainly a producers' front against synthetics, the common enemy, and is unlikely to conflict with the operations of the UNCTAD-conceived International Jute Council.

P. C. Mahanti

## Foundries

CONTINUED FROM PREVIOUS PAGE

Copper and copper alloy castings are confined to a relatively smaller sector, catering mainly to manufacture of defence and power generating equipment. Of the 20,000 tonnes produced annually, 75 per cent. depends on scrap for raw material. Export plans for the small section are limited to only 800 tonnes in 1979-80, but the industry hopes to improve its performance if the Government permits imports of graded copper and copper alloy scrap under the "duty waiver" scheme.

A better opportunity is seen for aluminium castings since these are replacing ferrous components in the West. The problem is of bringing quality consciousness to the scores of foundries producing aluminium alloy castings since the industry admits that few of these are capable of meeting sophisticated export requirements. There are plans to establish a central agency to organise production in the 40-odd units, of which only 15 are large producers (these include piston, automobile and scooter manufacturers). Since exports are negligible so far, hopes are to tap the U.S. and European markets, particularly the piston requirements of automobile industries.

A recent study by the Indian engineering industry feels that foundries cannot be competitive in mass-production items which involve use of machine moulding and automation. Hence plans are to concentrate on large size, batch production

items involving high labour content—something that has been welcomed by the Janata Government since this is in line with its broad economic policies. Apart from supplying the replacement market, Indian foundries are to supply castings to principals of firms which already buy them from local foundries. But they are seeking permission for making economies of scale and have asked the Government to allow existing units to expand and modernise and increase productivity by importing special machines.

## Anomalous

On the domestic front, the Government has urged the industry to correct the anomalous situation whereby, although capacity utilisation in the castings and forging industry is a low 40 per cent., the country has to import the bulk of special and alloy steel castings. The foundry industry is concentrated in West Bengal, Punjab, Gujarat and Maharashtra and makes simple castings like manhole covers, sanitary fittings, pipes and so on. Since foundries are labour-intensive, the hope is that with improved technology they will be able to meet domestic needs as well as exploiting export opportunities. Advanced technology is confined to a few large units and the Government has asked them to transfer their knowhow to many small-scale units. As a

start, the Institute of Indian Foundrymen has started a casting centre which will initiate the transfer of technology.

Are furnaces, which have had substantial surplus capacity since recessionary conditions set in about four years ago, have been given tax concessions to make them viable in the hope that they will concentrate on developing alloy and special steel castings with corrosion and heat-resistant qualities. Similarly, with the revival of the transport industry (with the exception of cars), they are being asked to turn to production of malleable and SG iron scrap castings. Yet another profitable area for them, both in the domestic and export markets, is cast iron spun pipes since the Government's new policy calls for development of waterworks in rural areas.

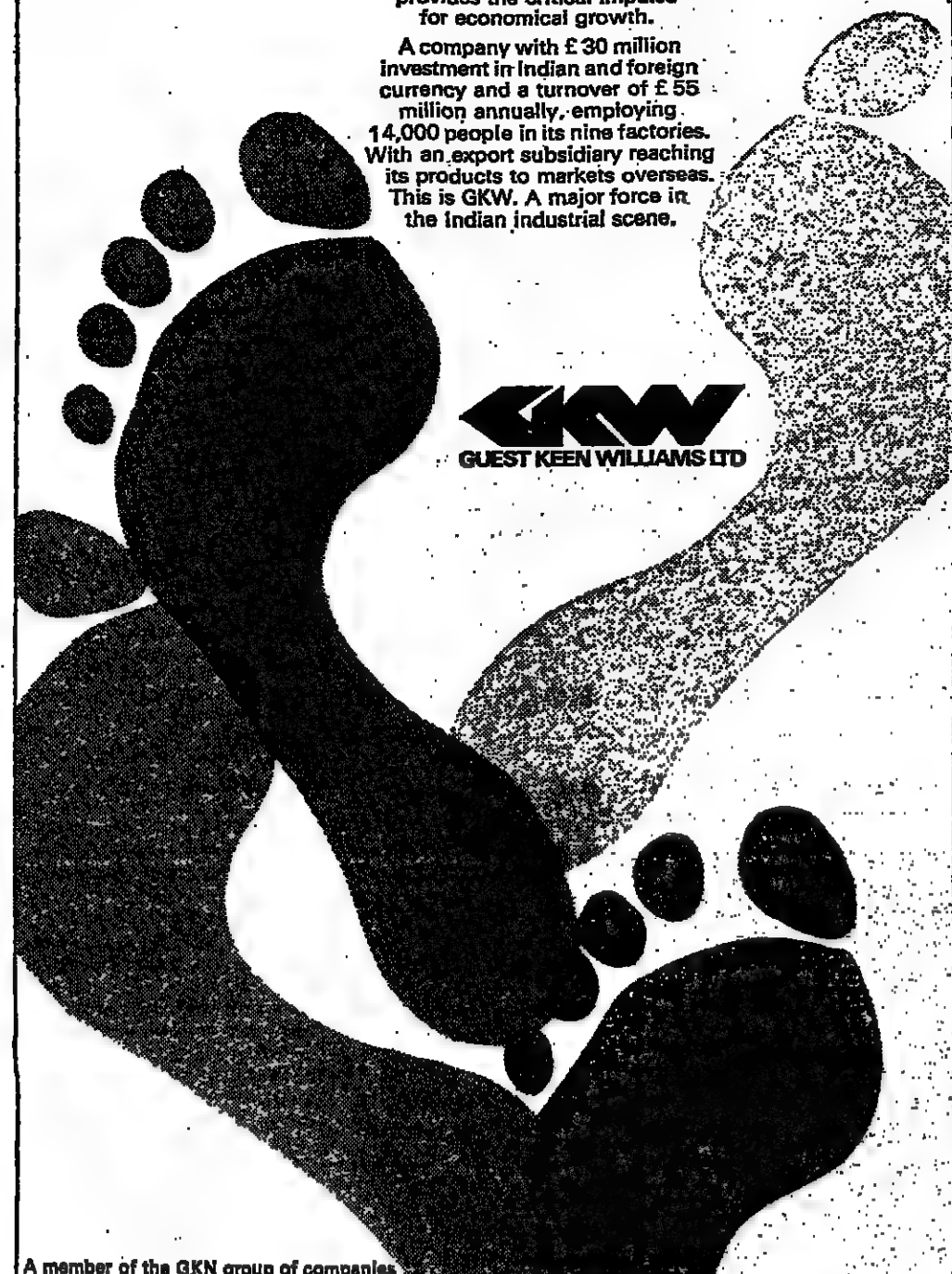
Another development, curious though it may seem in the light of the obsolete technology used in most of the small units, is that export of foundry know-how to other developing countries is planned. Small units are to be allowed the use of testing facilities by the larger business houses while the public sector steel plants are to assist any foundry seeking technical advice and advanced knowhow. Eventually the aim is to set up a technical data bank which will provide information on indigenous knowhow for export.

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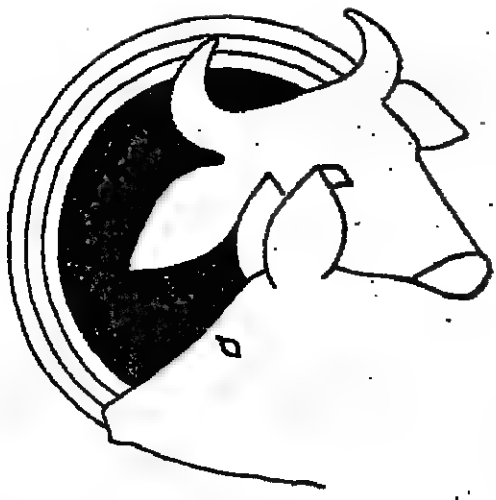
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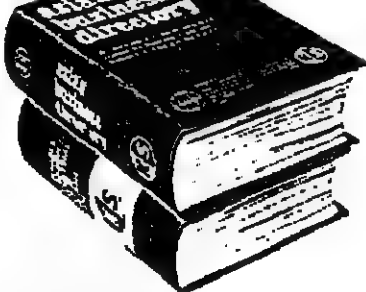
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## INDIA XXVI

As a result of the introduction last year of a ceiling on exports, India's tea growers have come into conflict with the Government. There is cause for encouragement, however, in the size of the 1977 crop, which broke all previous records.

# Tea growing

TEA PRODUCTION  
(m. kg.)

	Crop	Exports	Domestic supply
1970-71	419	159	260
1971-72	435	202	233
1972-73	456	200	256
1973-74	472	185	284
1974-75	489	222	267
1975-76	487	215	271
1976-77	512	230	282
1977-78	569	225*	335

\* Export ceiling.

Source: Tea statistics: J. Thomas and Co., Auctioneers.

IF 1977 was the best tea year yet for Indian tea, it also brought some unexpected shocks. Just when the industry was getting geared to surpass its export record of the previous year, a ceiling was placed on exports by the Government for the first time in many years, an export duty of Rs.5 a kilogram was imposed and all incentives for exports were withdrawn.

Then, on considerations more political than economic, the Government asked the tea producers to bring down internal prices to a level which many companies complained would leave little margin after meeting production costs. In the event, thanks to a record production (569m. kg. is now the confirmed output figure for 1977) both market forces and Government pressure combined to pull prices down to a level way below what New Delhi had indicated would be fair.

The reason why a ceiling of 225m. kg. on exports had to be fixed for 1977-78, the Government insisted, was to leave enough for the domestic consumer. Tea is a mass consumption product and a liberal policy on exports could only push prices up higher than the dizzy heights they had already reached. During the previous year some 230m. kg. were exported out of a total output of 512m. kg. and that amount, according to industry and trade sources, had left inadequate stocks at home during the lean months from January to April.

There was in fact a shortage of supplies, which together with a strong export demand pushed internal prices up to the heights recorded, very much in line with the international trend. The Government seized on this argument to say that there should be no repetition of the supply crisis this year and fixed the export ceiling at 225m. kg.—that is, 5m. less than the previous year's exports.

### Ironical

It was indeed ironical for India, the world's largest tea producer and one which has been taking a leading part in the international effort for generic promotion of tea, to place restrictions on exports. It has already become clear that the retention of as much as 235m. kg. out of a total crop of 569m. kg. is more than the home market can easily absorb.

Auction as well as retail prices are back to the levels of January 1976, and world production is already ahead by some 80m. kg., but New Delhi refuses to revise the export ceiling, much less remove the export duty which is serving a second purpose of bringing in a tidy revenue. On the contrary, the fairly complicated export licensing procedures devised to enforce the ceiling are still in force, causing unnecessary delay in shipments.

The industry also complains that taking central and State taxes together the rate of taxation is higher than the general corporate rate, and that of late the State Governments of Assam and West Bengal (which together produce most of north

of 53m. kg. more tea for home consumption this year than was actually consumed in 1976-77. On the other hand, export successes achieved after years of market promotion effort and hard work have been suddenly made to look like an embarrassment.

The Government says it has no intention of undermining exports and would like the industry to go on producing at a rate of 25m. to 30m. kg. more every year, at least during the next five-year plan period, giving a greater export surplus while leaving enough for home consumption. The industry is no less anxious than the Government to produce more—at a New Delhi symposium last year all participants suggested that a target of 2bn. kg. by the end of this century would be practicable—but a steady production drive can be sustained only if two conditions exist.

The first is that the industry be given adequate financial assistance to fund a worthwhile development programme, covering both replanting and extensions: the second is that it receives a remunerative price for its tea. For example, in the last week of December prices at Calcutta and Cochin auctions came down to Rs.11.57 and Rs.10.67 a kilogram respectively, as against peak prices last April of Rs.29.10 and Rs.28.19. Most producers say that the current auction prices are below their cost of production; even the Government itself wanted tea to sell at Rs.16.50 a kilogram on an average when the price per kilogram at auctions went up to Rs.29.00 or more.

As for the industry's financial conditions, years of low profitability (the current boom phase dates only from 1974) have produced conditions of debt in most cases. Tea prices have of course been better, but the cost of inputs like fertilizers, weed-killers, pesticides and coal has also gone up. Few tea companies therefore have cash resources to plough back into investment.

The industry also complains that taking central and State taxes together the rate of taxation is higher than the general corporate rate, and that of late the State Governments of Assam and West Bengal (which together produce most of north

Indian tea have raised the rates of agricultural income tax, adding significantly to the burden.

Moreover, the sterling tea companies, easily the best organised and most advanced corporate organisations, have suddenly found themselves saddled with huge income tax liabilities on account of commissions remitted over the past 16 years—the demand could have been for a longer period, but the arm of the Revenue does not reach back any farther. Unless otherwise settled these liabilities would reduce the companies' already inadequate investible resources even more. They will all have to convert themselves into rupee or Indian companies soon in compliance with the Foreign Exchange and Regulation Act. It is therefore, unfortunate that they are going to be encumbered from the start—clearly not a condition encouraging them to plan for development or to work ahead confidently.

### Controversy

An unnecessary controversy, just when direct tea shipments to Britain are increasing, is whether India should auction all of its teas at home, or continue to despatch part of the output for auction in London. In fact the Commerce Minister, Mr. Dharia, has, on the suggestions of a parliamentary body, appointed a committee to inquire into the advisability of continuing this London link. He is apparently of the view that India is losing by sending tea to London auctions, although he has not spelt out quite how.

This is not the first time the Indian Government has exercised its mind about the subject. Ministers have talked about it before, but nothing has come of their discussions as nobody has clearly and logically worked out the pros and cons of it all and predicted what the net result would be.

The reason why no clear set of conclusions has emerged is because nobody has yet been able to make the point that loss of all existing contacts and connections in Britain, still the world's largest tea-drinking nation, would be of no consequence to Indian tea at all. Secondly, the quantity of tea that is now going to London auctions cannot be handled in

Calcutta or any other auction centre because of inadequate warehousing facilities.

Tea is a perishable commodity which picks up moisture and odours very easily and cannot be stored for long without rapid deterioration of quality. Another important reason for keeping the London connection, which the industry has always emphasised, is that of all India's competitors, Sri Lanka included, send their teas to London's Mincing Lane for auction, and it would be unwise for India to remain outside. It remains to be seen how Mr. Mohan Dharia is eventually going to be convinced.

Indian tea shipped direct to London for auction has gone down from 62.8m. kg. in 1966-67 to about 37m. kg. in 1976-77, whereas shipments on account of forward contracts and private sales have gone up from 47m. kg. to 20.2m. over the same period. These are Tea Board figures.

It is reasonable to conclude that a total stoppage of shipments for auction in London would mean further increases in forward contracts and private sales. If the Government stops the latter type of shipment also, India is bound to lose to rival producers a long-established foothold in a very stable and dependable market.

World production of tea is also increasing. From 741.3m. kg. in 1966 global output went up to 832.8m. kg. in 1976-77. Almost all producers, barring Sri Lanka, have shared in the increase, the African countries as spectacularly as India, or even more so. More significantly, they have emerged as strong competitors to India in the U.K. market. According to the International Tea Committee India's tea exports to the U.K. have come down sharply from 97m. kg. in 1966 to 72m. kg. in 1976. Whereas over the same period, African producers increased theirs from 45m. kg. to 75m.

Whatever the state of internal consumption, India has to stay in the tea export business not only to earn a substantial quantity of foreign exchange but to keep the industry going on a viable footing. This year India has restricted exports to 225m. kg., yet world demand has helped it earn foreign exchange worth Rs.5bn. (£333m.). Exports fetched Rs.3bn. (£200m.) in 1976-77 for the export of 230m. kg. as the international price was lower. If participation in London auctions was getting in the way, how was this high export income possible?

Notwithstanding the Government's approach to exports, the Indian tea industry feels enormously encouraged by the fact that international organisations like the FAO and UNCTAD have been taking an active interest in the future of the commodity. The International Tea Promotion Association, which is to come into existence next April, is largely the result of the efforts which the FAO has been making. The Association, which may have its headquarters in London, is expected

to play a very important part in the promotion of tea on a global scale.

Increased volume alone will not solve the basic problem of export income fluctuations unless a way is found of ensuring a measure of price stability. This is where the UNCTAD effort to get the exporters and consumers of tea assumes great significance. UNCTAD's preparatory committee, which will

shortly be meeting in Geneva will discuss the subject of stabilisation through a stock and other devices. deliberations will be held. The discussions of the meeting of the FAO on governmental group on which covered the proper buffer stock scheme in tea and all other aspects.

P. C. M.

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Tea pickers at work at Kerala.

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THE COTTON TEXTILE EXPORT PROMOTION



## INDIA XXVII



Cotton workers at the Krishna mills Bhilwara, Rajasthan.

**Restrictions on textile exports to EEC countries and consumer resistance from the West have been severe blows to India. The future for the country's textiles industry looks grim unless it can break into the Middle East markets.**

# Textiles

**BRING THE** long hot Euro-  
an summers of 1975 and 1976  
en the craze for cheesecloth  
so-called ethnic dress was  
its height, the Indian textiles  
nary was in clover. Hand-  
m weavers could barely keep  
with demand, turning out  
lions of metres of cloth for  
racks of Oxford Street and  
counterparts in other Euro-  
pean capitals. Exports of mil-  
l cotton, too, virtually  
bled in 1976, reaching record  
s. But last year came as a  
shock. The weather was  
rable, European women  
d for a more tailored look  
worst of all the EEC  
tively slapped unilateral  
ctions on textile imports.

The Indian textiles industry  
was highly indignant. Under the  
new Janata Government with its  
neo-Gandhian philosophy and  
penchant for small-scale cottage  
industry, handloom operators  
were looking forward to years  
of uninterrupted 6 per cent  
export growth as guaranteed by  
the old multi-fibre arrangement  
(MFA). In the EEC, India's big-  
gest market for textiles, this  
has been cut back to between  
0.5 and 2 per cent. Indian nego-  
tiators, while admitting that  
Europe had been foolishly  
liberal in the past, emerged  
from Brussels with the feeling  
that they had been well and  
truly outmanoeuvred, partly  
by the EEC negotiator Mr. Tran

Van. Think, partly by the  
"defection" of Hong Kong  
which, they suggest, may have  
been arranged through the use  
of substantial incentives on  
other fronts, by the U.K. Nego-  
tiations with the U.S., India's  
second biggest market, allowed  
for more growth than in Europe,  
but again put curbs on what  
India's planners had hoped  
would be among the major  
areas of economic expansion  
under the 1979-84 sixth plan.

Despite the curbs imposed by  
the U.S. and the EEC, it expects  
earnings to improve in 1978 on  
the strength of a better cotton  
crop and buoyant domestic de-  
mand for such bread-and-butter  
lines as household linens in the  
mill sector, dhotis and saris in  
the handloom sector, barring an  
unforeseen decline in the  
economy as a whole. Exports  
will also undoubtedly continue  
to increase, even if not as  
quickly as planned.

But Government officials are  
less happy about the prospects  
for longer term development.  
They interpret the EEC and  
U.S. stances in last year's nego-  
tiations as a clear indication  
that the developed countries do  
not yet intend to shift their in-  
dustries upmarket, leaving the  
less sophisticated sectors to the  
Third World producers. In view  
of the constraints on Western  
markets, attention will prob-  
ably be directed towards build-  
ing up alternative outlets in the  
Middle East oil producing coun-  
tries but strong competition is  
expected here from Hong Kong,  
Taiwan and South Korea, whose  
higher labour and general pro-  
duction costs are offset by vastly  
superior technology.

Moreover the Middle East de-  
mand is currently biased to-  
wards synthetics, in which  
Indian manufacturers are at a  
sizeable disadvantage. The  
world price for polyester, the  
cheapest synthetic fibre, is cur-  
rently Rs.12 a kilo compared  
with the Indian price of Rs.68  
(including 54 per cent in  
various taxes). Until recent  
years, India's raw cotton pro-  
duction was sufficient to absorb  
manufacturing capacity and  
the premium on the domestic  
price on synthetic fibres dis-  
couraged widespread diversifi-  
cation into synthetic cloth  
manufacture. Now that capa-  
city exceeds raw cotton sup-  
plies, many manufacturers say  
they would like to develop the  
man-made fibres sector, but  
that neither the restricted West-  
ern markets, nor the potential  
Middle Eastern markets, offer  
sufficient security to justify the  
initial investment risk.

Whether the outcome of last  
year's negotiations signals the  
start of a permanent protec-  
tionist trend among developed  
nations remains to be seen.  
Indian officials say they are not  
optimistic. The villains, as far  
as they are concerned, are the  
U.K. and France, whom they  
accuse of bulldozing their more  
liberal EEC partners into line.  
The U.S. has also disappointed  
Delhi by not exerting pressure  
on the EEC to take a softer line.  
However, the underlying sound-  
ness of the industry is not in  
doubt—nor is the fact that ex-  
ports, though curbed, will con-  
tinue to grow.

### Erratic

Manufacturers and cotton  
growers alike suffer from the  
erratic and violent fluctuations  
in the raw cotton market,  
where the price per lb has risen  
from 50-55 cents to 95 cents and  
dropped back to 55-60 within  
the past 18 months. This type  
of movement has provoked  
endless debate on the advan-  
tages of a national buffer stock,  
a move generally considered  
desirable but impossible to im-  
plement without a domestic  
surplus (besides being politi-  
cally unattractive while prices  
are firm and hence to the ad-  
vantage of the cotton growers,  
whose ability to mobilise voting  
support in the numerically  
dominant rural areas counts for  
something in Delhi)—and  
likely to be resisted by industry  
in times of surplus and low  
prices.

According to the Indian Cot-  
ton Mills Federation, which is  
lobbying hard for a national  
textiles policy and has sub-  
mitted a blueprint to the  
Government, prospects for 1978  
are grim. It wants the Govern-  
ment to provide soft loans of  
around Rs.1bn. a year for the  
next seven years to help the  
mills sector modernise, and fur-  
ther aid for the decentralised  
workers in the form of co-  
operatives with facilities for  
bleaching, dyeing, sanforising  
and printing.

The Government has not yet  
responded, formally to the  
ICMF's proposals but does not  
seem to share its gloomy out-

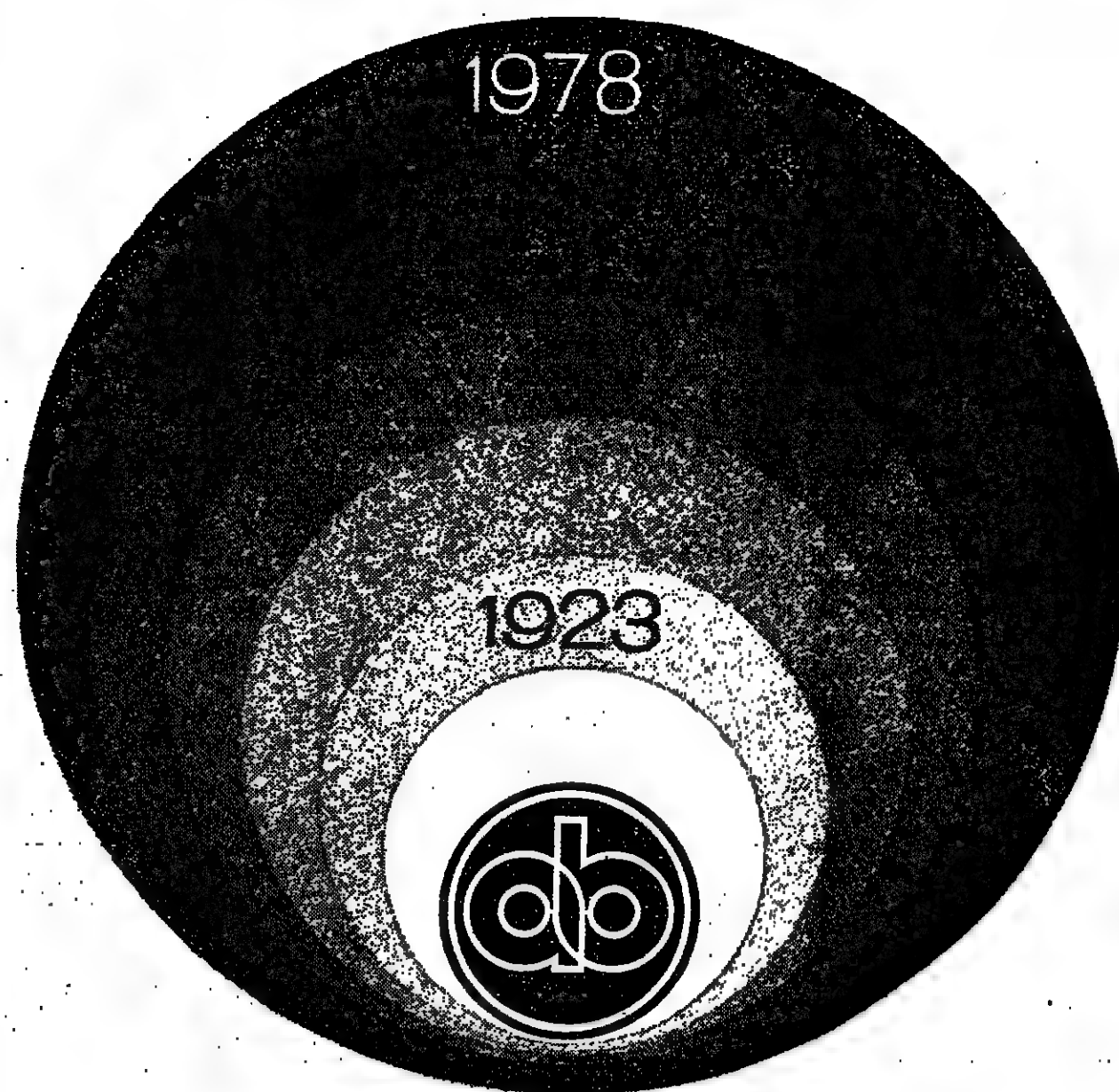
### India's fabulous range of trendy cottons—acclaimed the world over

The Cotton Textiles Industry of India offers a wide variety of cotton fabrics ranging from grey cloth for all end-uses, superbly processed dress materials, household linen to industrial clothing.

The young and vibrant apparel industry of India has achieved the distinction of blazing new trends in the field of fashion apparels with entirely new moods and trendy designs and styles. Importers, Department and Chain stores and Mail-order Houses desirous of establishing contacts in India may approach

**THE COTTON TEXTILES EXPORT PROMOTION COUNCIL OF INDIA**  
"Engineering Centre", 5th floor, 5, Mathew Road,  
Opera House, Bombay-400 004. (INDIA)

## Service, an ever-widening circle



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With total deposits of over Rs. 270 crores, Andhra Bank is the largest private sector bank in India.

Come to Andhra Bank for all your banking needs in India.

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The bank responsive to people's needs.

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Regd. & Central Office  
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Chairman: O. SWAMINATHA REDDY

## AMCO, a power that has moved the USSR ... now strikes the UK

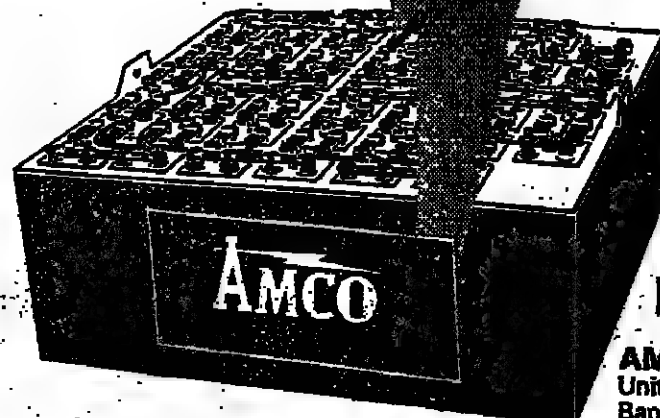
So far AMCO has exported over £4.2 million worth of industrial batteries to the USSR. And right now it's in the process of exporting a further £2.75 millions' worth to that country—and to 13 others. All of which makes the company India's leading battery exporter.

Over 44 years, AMCO has established itself as one of the pioneers on the Indian automotive and industrial battery manufacture scene. Backed by an international technical collaboration.

Today its batteries, made at a special export plant, offer you both the highest international standards of quality and a significant cost advantage.

Moreover, AMCO has built up a reputation for meeting delivery dates and targets. And the company is working on further improving upon its record in this respect. And providing excellent after-sales service, besides.

Today AMCO is looking further afield in the world export markets. And among its prime target areas are the UK and Western Europe—where it has ambitious plans, particularly for its forklift truck and platform truck batteries, train-lighting cells, diesel loco starter batteries and stationary cells. For details or specific requirements, write to the address below.



**AMCO Batteries.**

A 'powerful' force. From India.

AMCO Batteries Ltd  
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Bangalore 560 002, India



## INDIA XXVIII



### Brooke Bond : tea, coffee, and all this, with the flavour of India.

"All this" means £ 37 million in exports.

77 years ago, a small band of 96 men struck roots in India with a single-minded devotion to tea. And over the years, Brooke Bond has grown to a flourishing £ 124 million Company with a team of 10,000 strong.

Popularising value added packaged products made in India has been the main thrust of our effort overseas.



Diversification was logical : from tea and coffee, to spices, condiments, oleo-resins and sea-food.

At home, diversification has taken yet another form : high-speed packaging machines. Soon, processed meat will be added to the list.

Last year Brooke Bond sold £ 37 million of "all this" to the world. This year it will be even more.

**Brooke Bond India : crossing fresh frontiers in products and markets.**

## STEEL- DESIGN FOR PROGRESS



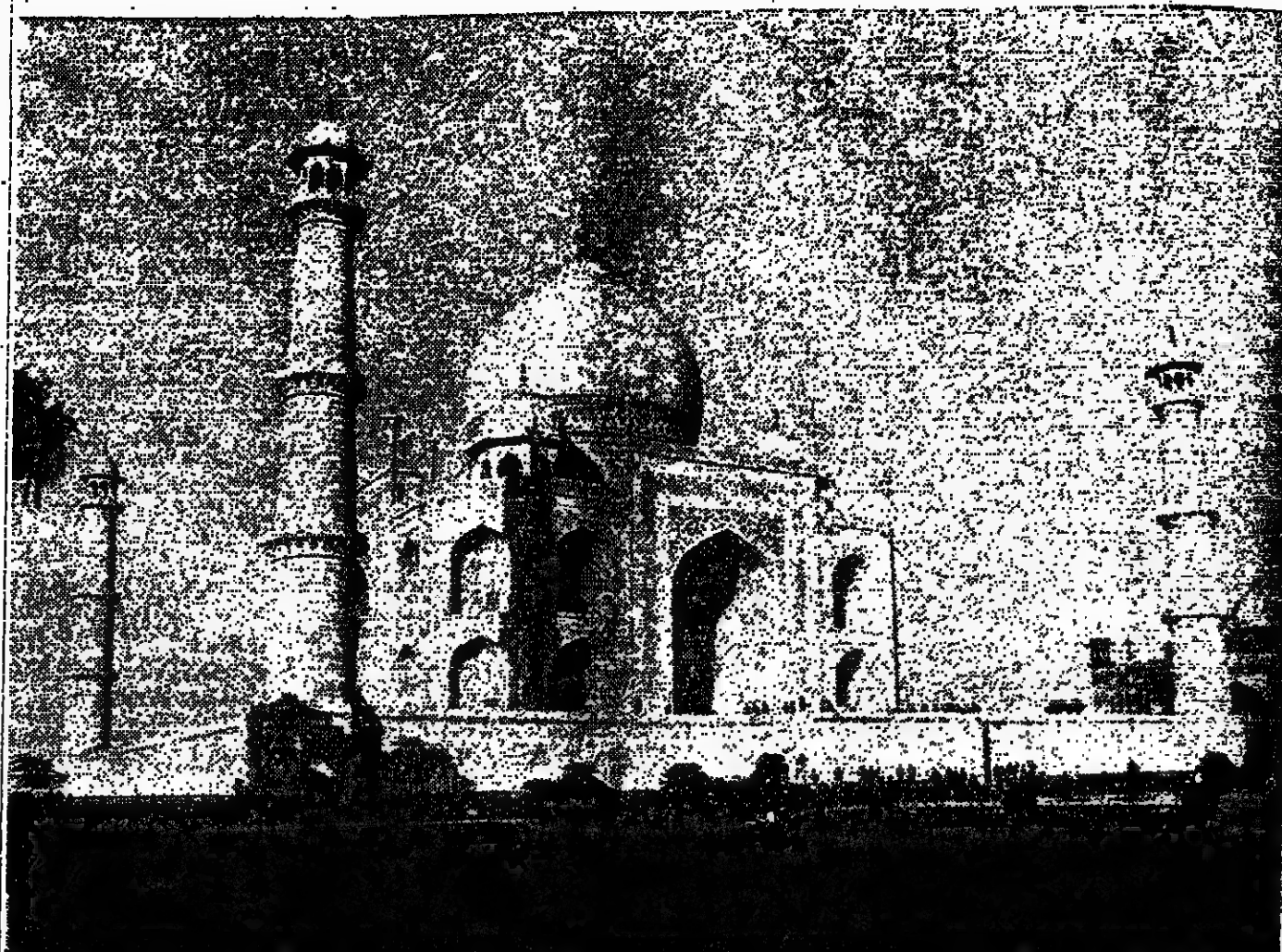
Steel spells progress; steel plants are changing the face of the developing countries.

India has built up considerable expertise in the design, construction and operation of steel plants—large integrated complexes, mini-steel plants and alloy and special steel plants; also of ferro-alloy plants, foundry/forges, rolling mills, metal-working plants etc.

Pioneers of steel plant engineering in India, DASTURS are in the forefront of steel plant design and technology and are internationally recognised today as one of the leading consultancy organisations.

DASTURS have intimate knowledge of the conditions in the developing countries and are actively engaged in planning steel development in the Arab countries, South-East Asia, Africa and Latin America. They are Principal Consultants to the Government of Libya for their coast-based iron and steel complex at Misurata.

M. N. DASTUR & CO (P) LTD, Calcutta  
DASTUR ENGINEERING INTERNATIONAL GmbH, Dusseldorf  
Consulting Engineers



The Taj Mahal.

India's capacity to accommodate the tourist has now somewhat overstretched itself. But for those who are prepared to put up with the inevitable delays and discomforts, the rewards that the country has to offer are enormous.

## Tourism

MORE THAN 640,000 foreign tourists came to India last year. Amid a population a thousand times that number it was not a lot. But it is four times the number that came ten years ago and it is definitely more than the national tourist industry can cope with. The four and five-star hotels in most of the major cities are perpetually crammed, domestic flights inevitably have waiting lists of up to 30 people, and railway reservations for night journeys are as prized as tickets for Glyndebourne.

The country is well worth the frustrations that seem to be an inseparable part of trying to move around in it, even if at times they seem almost too much to bear. They start from the moment you arrive—at Bombay Airport for example, on one of the many nights when three jumbo jets arrive within minutes of each other depositing 1,000 or more tourists.

The course is clearly marked—two desks for health certificates, two for immigration, three for customs clearance and two more for another passport check (candidates need attempt only one of each). It must be followed in the right sequence—failure to do so leads to temporary disqualification while you proceed to the end of the correct queue. At each checkpoint you meet the same courteous, imperturbable affability as the official monitoring your progress—who occasionally dispenses with the formality of actually checking the relevant documents—pauses to joke or debate with you, with others in the queue, or with a fellow official standing by to help him in his work, or perhaps just to keep him company.

Getting about inside the country, you may take the domestic airlines (there is usually somebody in the hotel to arrange it and shelter you from the two-hour wait in the crowded Indian airlines office) and the flight from Delhi to Calcutta, for example, is around £16. A private car costs around £13 (12p) a kilometre but is not altogether wise for longer trips if you find arrival more important than the journey, or if constant near-collisions with lorries, bullock carts and rickshaws unnerves you.

If you decide to go cheaply, Syrian Airways and Afghan Airlines do slightly complicated but cheap flights at around £230 return from London or Amsterdam. Overland trips by Land-rover, etc., are not cheap—around £645 to £715 for 10 weeks London-Katmandu, not including daily living expenses, and £535 to £585 for four weeks Istanbul-Agra, again not including daily living expenses, estimated in both cases at £6 to £6.50 a day. Single rooms in two-star hotels cost around £5.30 a night (this includes a private bathroom) and cheaper hotels with communal facilities can be found for £1.30 a night.

These waiting jockey for position, the more experienced warding off queue-jumpers with well-placed umbrellas or elderly relatives. Under perfect conditions, they say, it is possible to complete the course in less than two hours. The object is to emerge with one's sense of humour intact. If you can do so, collect 200 rupees and proceed to Go-India is for you.

You can travel cheaply or expensively. If you want to travel expensively, the standard air fare from London to Bombay or Delhi is \$119 return. Several of the major airlines—British Airways, JAL, Air India, Qantas, Pan Am, Aeroflot and others—make the trip, usually with a stopover somewhere in the Gulf. The same flight costs around £310 excursion rate.

Single rooms in the major international hotels in the bigger cities will cost around £30 a night, and about half that in the provincial capitals. A very presentable Indian meal in one of these hotels will cost around £3 a head or less, but European food costs more and liquor is prohibitive, so to speak, at around £3 a measure of scotch. (This might help explain the Indian penchant for home brew in one form or another.)

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Deciding where to start may well be the hardest part. People's reactions to India tend to be moulded by their expectations. If you come in search of religion, Muslim architecture,

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### Legends

Travelling around, you can go by bus or train. In passing it should perhaps be pointed out that the legends popularly associated with train travel in India relate to first-class—air conditioned, occasionally gracious and, at around £14 Delhi-Calcutta, about the same cost as the domestic flight. Second-class travel is often crowded, dirty, uncomfortable and extremely time-consuming. It is also ridiculously cheap—less than £4 Delhi-Calcutta. And when you reach your destination, you do so with the air of one who has paid for all sins, past and future, and who deserves all the wonders that India has to offer.

Deciding where to start may well be the hardest part. People's reactions to India tend to be moulded by their expectations. If you come in search of religion, Muslim architecture,

Rajput miniature painting, remnants of the Raj or mere the ultimate Biryani, you will find it. If poverty and dirt are what you expect, that it will be like the o Sufi tale of the blind man at the elephant—you can come grips, as it were, with a pa but the whole thing is too much for one man.

The Indian Government appears somewhat reluctant to promote tourism, which gets very low priority when it comes to allocation of funds. The 1979-84 Five-Year Plan allows for an annual 14 per cent growth in this sector, but tourism officials expect this year's 20 per cent growth to continue for at least a more years and possibly long.

The better known tourist attractions such as Ag Varanasi and Springs, as well as the larger cities such as Delhi, Bombay and Calcutta, already near-impossible with bookings. Madras, which has boom in hotel construction few years back, is easier. There are only about 17,000 class hotel rooms in the country (compared with about 8,000 ten years ago) and on present building plans, scramble for them is certain to become more desperate during the next year or so.

Some concessions to pilgrims are being made in the form of new beach resorts on southern coast, with much noted yoga classes by the But India is so rich in temples, monuments and holy places—matter where you are then always something of the within 20 miles—that it is not need to try too hard.

M.V.



One of India's famous trains on the Gurgaon to Dehra Dun line.

مکان من الذم



British eating habits • By ELINOR GOODMAN and CHRISTOPHER PARKES

# The return of the beefeaters

THE PATTERN and scale of British meat consumption have changed dramatically since the end of the war. When rationing ended in 1954 sales began to climb rapidly to a peak in the 1960s. That was followed by a steady decline of overall consumption and what many in the meat business regard as a decline of standards. The baron of beef has given way to the chicken drumstick.

In 1978, total meat consumption in the U.K. fell to its lowest level since 1939. After a marginal recovery last year—mainly attributable to a glut of pork—meat eating is expected to slump again to even lower levels during 1978. At least, that is the view of the Meat and Livestock Commission, the statutory body which monitors trade and prices in the meat business.

The Commission says prices will be rising again this year as reductions in the production of beef and pork make their impact in the butcher's shop. (The devaluation of the green pound will also push up the price.) Best estimates suggest that there will be 2.5 per cent. less home-produced beef in the shops this year and 10 per cent. less pork. And because fewer pigs will be killed, British bacon output will fall from 220,000 to 200,000 tonnes.

While the Danes will doubtless be eager and able to fill any gaps in the British bacon market, beef imports will present greater problems. The Irish, who last year sent record tonnages—much to the dismay of British farmers who were hoping for a price bonanza from their own limited production—will be building up their herds

again in 1978. Consequently they will have less to sell. The French, too, are getting their national herd back up to full strength. In any case, they prefer to sell surplus meat to Italy, where prices are much higher than in Britain.

While Australia, the Argentine and other former suppliers to the British market doubtless have ample cheap stocks ready to send to one seriously expects the European Community to break the habit of a decade and permit imports which might help keep down beef prices within the EEC.

Britain's own health regulations effectively preclude any possibility of imports of pork to relieve the pressure.

## Not too rude

Generally, retailers are less pessimistic about the outlook for meat consumption than the Meat and Livestock Commission. Though at pains not to be too rude about the Commission, they criticise its forecasts on the grounds that they are based only on the supply outlook for British meat and take no account of demand.

But they do agree that in the meat market supply and demand are inextricably interwoven. If supplies fall prices rise, and the housewife starts buying less and cheaper meat.

The retail trade is also convinced that some of the EEC's surplus beef "mountain" can be taken out of the freezer and shipped to Britain. That might stabilise prices and demand. Overall, the butchers expect consumption to remain at last year's level.

But the Commission, which is dealing in longer term trends, is only one member of the chorus predicting a continuing decline of meat consumption. At least until the mid-1980s. The long-term pattern of consumer spending on meat is at best stagnant and at worst showing all the signs of a gentle fall. Expenditure on meat and bacon as a proportion of total consumer spending (at current prices) was 6.7 per cent. in 1960. It fell to 6.1 per cent. over the next five years, and dropped further to 5.7 per cent. in 1970, reaching 5.3 per cent. in 1975 and staying at that figure the following year.

There is a tendency at all levels in the meat industry to accept the simplest thesis to explain why less meat is eaten.

"Prices go up, so people eat less," it is said. The fragility of this argument is easily demonstrated. The price of cheese (which incidentally contains at least twice as much digestible protein as does animal muscle), increased by 10.5 per cent. in points more than that of meat between 1969 and 1976, yet consumption rose by 8.3 per cent.

Prices have risen sharply elsewhere in the EEC, but only in Denmark is the pattern of consumption in any way similar to that in Britain. In the other seven Community countries consumption of beef and pork has risen steadily during the past decade. So it is surprising that more research has not been carried out to investigate this British phenomenon.

According to Mr. Boh Banskack, of the Meat and Livestock Commission, a statistically prolific investigator of the U.K. meat market, total British meat consumption will fall 3 per cent. between 1975 and 1979. Then, until 1982, consumption will remain steady before climbing by 2 per cent. until 1985. Annual per capita consumption would then be only about 3 per cent. higher than in 1955—one year after the end of wartime controls.

Leave out poultrymeat, and Mr. Banskack's figures show a much more spectacular decline, with consumption of what he termed "butchers' meat" 8 per cent. lower than

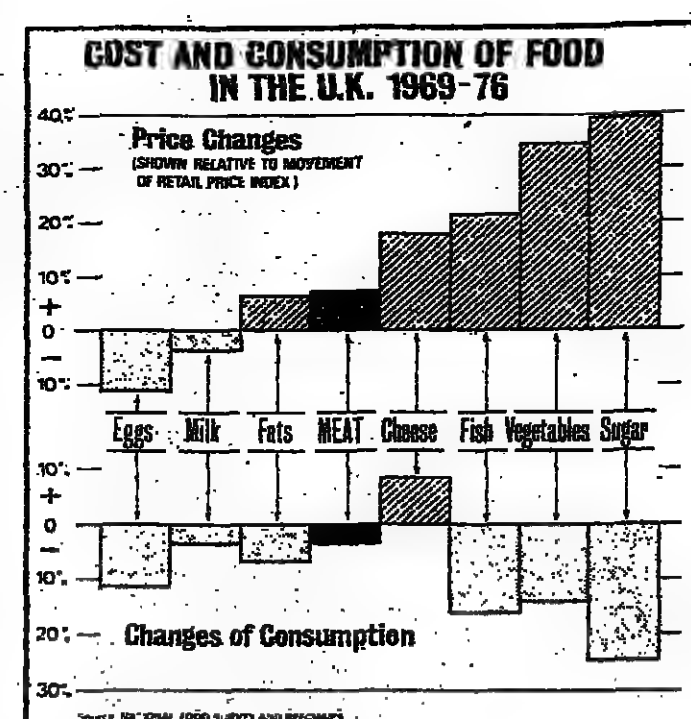
in 1955. During the past 20 years, thanks to the arrival of the broiler chicken, consumption of poultry in the U.K. has quadrupled, and as the technology of poultry production improves, chicken will play an increasing role in the British diet.

It is conceivable that other forms of poultry will also become increasingly popular. In France and Belgium, for example, guinea fowl and quail are already raised in the same type of jam-packed broiler factories as British chickens.

Their carcasses are a common sight on supermarket meat shelves.

Broiler production is now so highly mechanised and specialised in Britain that the farming community tends to regard it as an industrial process. The hen and its offspring by their size, nature and durability, lend themselves to production line processes from shell to shelf. One man can tend many thousands of birds efficiently and cheaply. One of the industry's greatest strengths is its flexibility. Because a chicken can be hatched and fattened in a matter of weeks, producers can respond rapidly to changing demand, boosting output to fill gaps in the red meat market, and cutting back in times of glut.

Compared with the two to three years a farmer has to spend preparing a beef animal for the butcher's hook, this production cycle has clear advantages. As has been seen in the past few years, progressively fewer farmers are prepared to take the gambles involved in producing beef. The size of the national herd of breeding cows, farmed specifically for beef calf production, has been falling for



As price increases become less frequent and less shocking to the average domestic purseholder, consumption can be expected to pick up again, while the steady growth elsewhere in the EEC where buyers are better accustomed to high-priced food than the subsidised British.

Most of the complaints about the parlous state of the pig industry last year came from the smaller farmers who were living through yet another of the economic storms which for many years past have been driving the whole pork and bacon business into the hands of the highly efficient and highly capitalised few. Eventually, these changes

had been dawdling along for some years. While some of the population are still suffering from mild hysteria brought on by the move into Europe, the worst appears to be over. And testing the political temperature in Brussels and the other Community capitals gives a surprisingly consistent result. The excessive CAP price rises of the past seem unlikely to be repeated in the foreseeable future. And while Brussels may remain a political torture chamber for British ministers for many years, the storm in the British shopping basket appears to have blown over.

## U.K. MEAT CONSUMPTION PAST AND FORECAST

	1955	1965	1975	1976	1979	1982	1985
Beef and veal	21.5	20.8	23.5	21.0	19.1	18.2	18.7
Pork	8.1	11.7	10.3	10.4	11.5	11.9	12.2
Lamb	11.1	10.5	8.3	7.7	7.3	7.0	7.3
Poultrymeat	2.9	7.4	11.4	11.6	12.9	13.7	13.9
Total Meat*	53.4	50.6	53.6	50.0	50.6	50.7	52.7

\* Also includes offal, ham and bacon. Total converted to edible weight.

## Letters to the Editor

### Change the tax structure

From Mr. A. Jacobs.

Sir—Samuel Brittan's "Recipe for jobs in the welfare state" (January 19) sets out so clearly the causes of the poverty trap and the urgent need to tackle this problem.

As a member of the Liberal Party's taxation group who have repeated our Party's submission to the Chancellor for the forthcoming budget, I can confirm that we are very aware that if the Chancellor only has £2bn. to give away then either personal allowances can be increased or we can bring in a reduced rate band of £1,000 to 5 per cent. which would absorb £1.5bn. To lower the standard rate of income tax as well from 34 per cent. to 30 per cent. would cost a further £1.2bn. If, therefore, only £2bn. is available, there will be no additional relief for the middle tax payers and the top rates of tax would remain at 63 per cent. and 98 per cent.

In our proposals we have tried to take a different line, realising that to give the necessary income tax reductions across the board, a sum of at least £4.5bn. is required. We would like to give effect to a statement, that the burden of direct taxation is too high and that the relative proportion of total government revenue.

We do not believe that there is a very much room for cutting public expenditure, except in the area of housing subsidies, and to be fair the proportion of GDP devoted to public expenditure is in the middle range of Western countries. We believe there is little difficulty in raising a further £2.5bn. by increases in various forms of indirect taxation, including a modest increase in VAT, and the changes proposed would have a small effect on the Retail Price Index. It is to be hoped that our detailed proposals can be published shortly, but one is readily appreciative that if we were to have £4.5bn. available for income tax reductions £2bn. from deficit financing and £2.5bn. from increases in indirect taxation) then most exciting and radical reductions in come-tax could be obtained, a very small amount of revenue would be lost, the burden of his/her payers which number only 1m. people. Practically the total sum could be used, for example, to reduce the standard rate of income-tax from 34 per cent. to 25 per cent. benefiting 1m. people and this would cost £2bn.

Regrettably commentators only press views about possible come-tax reductions by considering what revenue is available from deficit financing. None aims to credit the possibility of substantial further sum to be available for income reductions from a careful selection of increases in various forms of indirect taxation.

Thony Jacobs, York Terrace West, N.W.1.

### Actuarial jargon

On Mr. K. Burton.

Sir—It is right that the way which the members of every profession carry out their duties should be subject to scrutiny and comment by the public it seeks to serve.

Evans' suggestion (January 19) that actuaries have been able "to get away with it" in answer to pension fund questions involves a generalisation which I am sure one per-

son's experience is insufficiently wide to sustain.

The particular charge made by him is that inadequate advice has been tendered to employers about contracting-out. This may be true but if the question is to be judged by the literature issued by some of the insurance companies and of the various consultants who operate in the pensions field, the charge should not be levelled at actuaries alone. To my personal knowledge many actuaries, like some insurance companies and other consultants, have presented the alternatives as objectively and as intelligently as the complicated nature of the issue makes possible.

By what objective test anyone is to judge in the world as it is today, amid widely conflicting opinions about a future which no-one can hope confidently to foresee, what is realistic, optimistic or pessimistic. Mr. Evans does not explain. The best one can do is to indicate, as many actuaries do, what would be the effect of specific departures of actual experience from their assumptions.

Kenneth J. Burton, Mount Cottage, Hawk's Hill, Feitcham, Leamington, Surrey.

### Explanation for laymen

From the Chairman, Leslie and Godwin (Life and Pensions).

Sir—Mr. Raymond Nottage (January 17) and Mr. Michael Evans (January 18) both diagnose a disease in the actuarial profession which they imply is of epidemic proportions. To put it bluntly, they suggested that the majority of actuaries when valuing pension funds, simply present clients with a single figure as the fund's rate and imply that the layman has no hope of understanding the esoteric reasons for this figure being right.

I believe that are behind the times. The underwriter has already been brought under control, apart from a few isolated cases. Most actuaries nowadays go to great lengths to explain how their figures are arrived at and what they mean. The community exercises in my own company extends to discussion with clients of a range of possibilities, and we have even gone so far as to produce a full-scale audio-visual programme on the subject, and I know that others have done likewise.

David J. D. McLish, Fleet House, Victoria Road, Farnborough, Hants.

### Positive advice

From Mr. K. Whitehead.

Sir—Mr. Evans (January 19) protests too much. He is kind enough to allow that a qualified actuary is "trained to assess the implications of (his) assumptions and, through experience, develops his professional judgment in this area," but then goes on to express surprise that actuaries "get away with it" with single answer pension fund valuations.

Far from "getting away with it" with a single answer, I have found that many financial directors and others are less than happy with a "one on the one hand" and "on the other hand" approach, preferring instead positive advice based on the professionalism, judgment and experience. Mr. Evans kindly draws attention to the fact that Mr. Evans is not the first to mistake,

no doubt, through lack of familiarity, the difference between independent and impartial professional advice given to a client by an actuary acting directly as a fiduciary relationship and displays of multiple answers which give the choice (that is, the planning authority with the "dilemma whether or not to serve an enforcement notice." It may be their dilemma but it is his money that will be at risk).

The General Development Order, 1977, does (as your correspondent says) permit an extension up to one-tenth of the floor area, but with certain reservations, and if your correspondent is not sure of his position then he should seek advice. I know well enough the frustration and delays caused by the need to make planning applications and the temptation to go it alone, but your correspondent would be better advised to consider making an application under Section 53 of the Town and Country Planning Act, 1971, to determine whether planning permission is required. Even this, by any chance, because the extension really is innocuous and if plans have to be drawn anyway, would be the making of an application for planning permission.

L. G. Collett, 49 Ingershoe Gardens, Lymington, Essex.

Mr. Evans asks a series of rhetorical questions as to how often actuaries approached the contracting in/out issue in particular ways. He says he is familiar with the work of "many actuaries" but, from the nature of his complaints, he is clearly not familiar with the work of all. Could the affairs of a satisfied client and his professional advisers be usually confidential?

G. Whitehead, 70, Brook Street, W.1.

### Alternative approaches

From Mr. T. Hugh Beech.

Sir—How right is Michael Evans (January 18) in pointing out the need for actuaries to present cost estimates based on more than one set of assumptions, so that employers can see for themselves the effect of variations in these. In showing the effects of the various alternative approaches to the Castle situation, we are presented to a large number of "realistic," "optimistic" and "pessimistic" assumptions; with modern computing methods these can be produced by actuaries easily and, as important, speedily. But judging by a number of reports from other advisers which we have seen, Michael Evans' firm and our own seem to be in a select minority in giving employers sufficient information on which they can make up their own minds.

T. Hugh Beech, Director and Company Actuary, Martin Patterson Associates, 10, Hertford Street, Park Lane, W.1.

### Accounts and their users

From Mr. D. Cairns.

Sir—Mr. R. Bullard (January 18) suggested that accountants have the responsibility to produce accounts for the purpose of which is, among other things, to measure worth. While not necessarily disagreeing with that suggestion, I have grave doubts that the conventional balance-sheet will achieve this. Under the historical cost convention it includes only those items for which we have incurred expenditure. It is a list of unamortised balances and nothing more. It is not a measure of value. The tendency is to include only those items for which we have incurred expenditure in the past.

I do not propose that we attempt to value the intangibles which are missing from the balance-sheet but are a major part of many companies' assets. I prefer to suggest that, if the balance-sheet does not measure worth, we scrap it completely. What we need is an income statement. How can we compare the performance, say, of a manufacturing company, which has many tangible assets, with that of a service company, which has as its major asset unrecorded goodwill?

What is wrong with the continuing debate about accounting principles is the assumption that we need balance-sheets (and for that matter profit and loss accounts). Even the Sandilands Report fell into this trap. After setting out clearly and concisely the principles and advantages of an alternative system of flow accounting, it rejected such a system because it did not fit within the existing framework of balance-sheet and profit and loss account. Of course, it does not—why should it?

It is not the rate to go back to first principles and ask what sort of information is required by users of accounts. I can only answer the question without being prejudiced by what we are already doing.

D. H. Cairns, 12 Fernley Court, Horse Lane, Maidenhead, Berks.

### Unique firm figures

From Mr. C. Hyman.

Sir—I was interested to read Mr. Nottage's letter (January 17). For some years now, when we do a pension fund valuation on our computer programme we always do the calculations on a number of actuarial assumptions in order to get the feel of how different future experience will affect the financial state of the fund. I would be most surprised if we were the only firm of consulting actuaries to do so. These different results are also very helpful in discussion with pension fund clients but we find more often than not that trustees want a report giving "the actuarial results" as unique firm figures.

C. Hyman, Hyman Robertson and Co, 22, Bartholomew House, 22, Fleet Street, E.C.4.

### Planning an extension

From Mr. I. Collett.

Sir—Your legal staff gave

## To-day's Events

### GENERAL

EEC Agriculture Ministers begin two-day meeting, Brussels.

President Carter formally presents first U.S. budget, which he has had full control.

General Agreement on Tariffs and Trade (GATT) multilateral negotiations start in Geneva.

TUC Finance and General Purposes Committee meets.

Prime Minister addresses Association of Commonwealth Governments, Shaw Theatre, Euston Road, N.W.1.

Guildhall Magistrates' Court hearing adjourned from October 27 opens in which two partners in Lewis Altman and Co., stock brokers, are charged with currency frauds.

Centenary dinner of National John Silkin, Agriculture Minister.

### Federation of Building Trades

Employers, Guildhall, E.C.3.

London Chamber of Commerce: Export Finance Panel meets, 60, Cannon Street, E.C.4. 3 p.m.

Mr. Christopher Tugendhat (Member of the Commission of the European Communities) addresses Insurance Institute of London on "The Community and its approach to insurance," in Hall of Chartered Insurance Institute, 20, Abchurch Lane, E.C.4. 5.30 p.m.

PARLIAMENTARY BUSINESS

House of Commons: Debate on agriculture, during which Mr. John Silkin, Agriculture Minister.

Royal Ballet dance The Dream.

### A Month in the Country, and Elite Syncretisms, Covent Garden, W.C.2. 7 p.m.

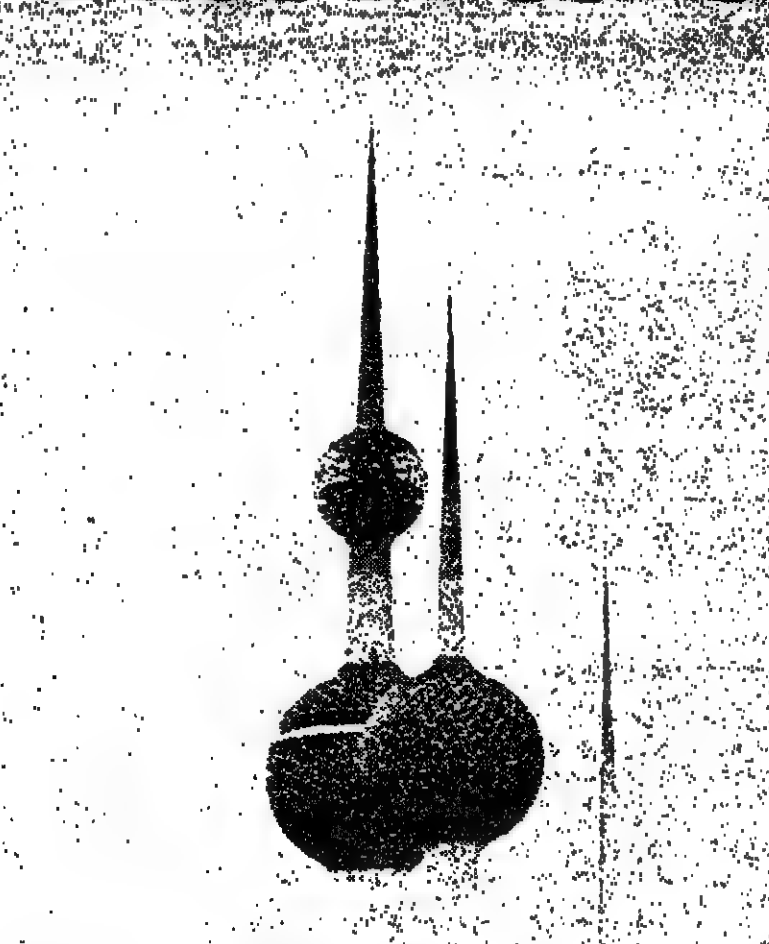
MUSIC

Paul Backowski gives piano recital of music by Schubert and Brahms, St. Lawrence Jewry next Guildhall, E.C.2. 1 p.m.

Insurance Orchestra, conductor Maurice Miles, soloist Ralph Holmes (violin), in programme of Mozart (Overture, The Magic Flute); Smetana (Symphonies: Poem, Vltava); Dvorak (Violin Concerto in A minor); and Schumann (Symphony No. 3 in E flat), Royal Festival Hall, S.E.1. 7.30 p.m.

Guarneri String Quartet in Mainly Schubert series, Queen Elizabeth Hall, S.E.1. 4.45 p.m.

# Kuwait



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## EUROBONDS

## Sterling market re-opens

BY MARY CAMPBELL

THE DOLLAR sector staged a welcome recovery last week, but it remains to be seen whether it will prove to be more than a technical reaction. Investors continued to focus on the strong currency sectors.

The firmer tone of the dollar sector of the market arose from the fall-off in U.S. dollar interest rates and the stabilisation of the dollar on the foreign exchange markets. This benefited all the issues which have closed recently. Thus Europa ended last week at about 97 1/2 bid, and with a generally much firmer undertone, compared with a week 96 1/2 being quoted by the issuing house the previous Friday. Occidental has been quoted in general about two points below the offering price during the week but moved up about a quarter of a point by Friday's close.

The EIB two-tranche \$200m. issue was a special case since the Union Bank of Switzerland had adopted a novel technique in trading the issue. When it opened on Monday, UBS made it clear to the market that it would trade only with members of the selling of underwriting group to whom bonds had been allocated and would buy back bonds only to the

limit of the amount each individual house had been allotted. This was interpreted by the market as meaning that a record would be kept if they sold back the bonds they had been allotted and they would not be invited into future UBS issuing syndicates.

It seems that no one was anxious to take this risk since UBS said it did not trade a single bond of the issue. Trading in the EIB issue only began to get going generally towards the end of the week when the improvement in market conditions made the yield on the bonds somewhat less unattractive.

## Handling

The Union Bank of Switzerland's handling of the issue in the secondary market attracted considerable criticism among dealers on the grounds that it is a lead manager's duty to make a market in issues it is responsible for and that UBS was effectively avoiding doing so. On the other hand it has certainly proved a successful method of preventing bonds from being dumped in the aftermarket.

UBS's move was to cause underwriters and selling group members to refuse underwriting positions and to fail to subscribe for bonds when they could not be bought by the management

place or absorb them then it group. There will be no underwriting group but up to half the issue will be made available to the market via a selling group, at a discount of 1 1/2 per cent.

Even after a fall off in prices on Friday due to the news of the new issues, the terms are closely in line with the current secondary market yields on the ECSC and Fisons sterling Eurobonds. The market can therefore reckon on the fees as increasing the yield on the bonds above the available on comparable bonds on the secondary market.

The EIB also offers very slightly more than a comparable gilt-edged, and Rowntree substantially more. On the other hand, despite the number of British corporate treasurers are known to be less than its face value in size, watching the situation carefully.

The EIB offering has been Friday night that the \$40m.

## EUROBOND INDEX AND YIELD

	Jan. 19	Jan. 20	Jan. 21	Jan. 22	Jan. 23
Medium term	95.52	95.52	95.52	95.52	95.52
Long term	95.52	95.52	95.52	95.52	95.52
Convertible	95.52	95.52	95.52	95.52	95.52

## EUROBOND TURNOVER

	Jan. 19	Jan. 20	Jan. 21	Jan. 22	Jan. 23
U.S. dollar bonds	1,273	1,273	1,273	1,273	1,273
Other bonds	250	250	250	250	250
Total	1,523	1,523	1,523	1,523	1,523

## Indices

## NEW YORK - DOW JONES

	Jan. 19	Jan. 20	Jan. 21	Jan. 22	Jan. 23
Industrial	778.84	778.84	778.84	778.84	778.84
Transport	218.85	218.85	218.85	218.85	218.85
Utilities	106.77	106.77	106.77	106.77	106.77
Trading	21.00	21.00	21.00	21.00	21.00

	Jan. 19	Jan. 20	Jan. 21	Jan. 22	Jan. 23
Ind. div. yield %	8.93	8.93	8.93	8.93	8.93

## STANDARD AND POORS

	Jan. 19	Jan. 20	Jan. 21	Jan. 22	Jan. 23
Industrial	89.94	89.94	89.94	89.94	89.94
Transport	21.85	21.85	21.85	21.85	21.85
Utilities	106.77	106.77	106.77	106.77	106.77
Trading	21.00	21.00	21.00	21.00	21.00

## OVERSEAS SHARE INFORMATION

## NEW YORK

High	Low	Stock	Jan. 30	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 31	Jan. 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## Britain will take firm line over job subsidy

By Alan Pike, Labour Staff

THE GOVERNMENT will take a firm line in defence of its special employment measures when it replies probably later this week, to EEC Commission complaints about the operation of the Temporary Employment Subsidy.

Commission officials have expressed concern about the distorting effect of the subsidy on competition and are awaiting details of arrangements which the British Government intends to introduce when the existing scheme expires at the end of March.

While the final shape of a new scheme has not yet been approved by ministers, the Government has made it clear that measures to assist employment will be continued.

The Commission had hoped for a reply from the Government by today to a letter raising detailed queries about the subsidy. A reply has not yet been sent but the Government is expected to meet a Commission deadline asking for information by the end of this month.

### 'Distortion'

The subsidy, under which an employer can receive £20 per employee per week in return for avoiding redundancies, is the most significant of the Government's special measures for tackling adult unemployment, and supports about 200,000 jobs at any given time.

Commission objections concentrate on the distorting effect which it is said to be having in the textile, clothing and shoe industries.

The Government will argue that the measure is not greatly different from subsidy schemes which operate in other member countries. It is expected to challenge claims that the subsidy is having an adverse effect on the trading position of companies outside Britain.

A second approach to employment subsidies—paying companies to take on unemployed labour on the lines of the experimental Small Firms Employment Subsidy, which also ends in March—would meet Commission objections but would not easily provide an alternative to Temporary Employment Subsidy.

Doris Buchanan writes: The changes which the Commission has told the Government should be included in any renewal of the subsidy scheme are more detailed than those which Brussels officials usually suggest to member states.

This is because the Commission, in the words of one official, "has had a hard time getting a handle on the TES." It was informed only afterwards of six changes already made in the scheme, and now wants to take advantage of the scheme's formal end on March 31.

Throughout 1977 British officials argued it was impossible to make changes in such a big scheme in mid-stream.

Brussels' chief complaint is that what was intended as a general subsidy should never have been allowed to be linked with a few sectors, with half the £431m already paid out going to the clothing, textile and shoe industries.

EEC officials cite with disapproval figures showing that of U.K. companies receiving Temporary Employment Subsidy, 67 per cent. of their work forces are on average covered by the subsidies.

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Jobs saved by Government support Page 42

Continued from Page 1

## Monetary

sort of over-heating which brought output to a halt in 1973.

Only last week, a senior Treasury economist told a Commons Committee that, in practice, it would be difficult for the economy to grow by more than 4 per cent. a year in real terms because of the present constraints of the slow growth of world trade, inflation and the underlying rate of increase of productivity.

It would be necessary to do something about these limiting influences, if the economy was to grow more rapidly, he said. Existing projections are for a rate of growth in the economy of about 3½ per cent. a year in the next two years.

There is also some caution about the extent of any fiscal stimulus on external grounds. Although there is still confidence that there will be a substantial current account surplus both this year and next, the slow growth of world trade and high import penetration are likely to lead to a deterioration of the non-oil balance.

However, the need to repay sizeable amounts of official debt overseas in the next few years will require a continuing sizeable current account surplus.

## GATT leaders ready for tough bargaining

By REGINALD DALE

THE MOST ambitious round of international trade negotiations since the Second World War—the so-called Tokyo round—enters its decisive final phase in Geneva today.

The starting signal for real bargaining to begin—well over four years since the talks were officially opened—will be given at a high-level General Agreement on Trade and Tariffs meeting to be attended by the chief negotiators of all three major participants.

They are Mr. Robert Strauss, President Jimmy Carter's Special Representative, Mr. Nobuhiko Ushiba, his Japanese counterpart, and Herr Wilhelm Haferkamp, vice-president of the EEC Commission for external relations.

By the time the meeting opens this afternoon the three protagonists will each have finally declared their initial negotiating positions. The Japanese offer, tabled last Wednesday, was followed by the Community's on Friday and the American offer is due today.

The hope is that in the coming months' agreement can be reached on a further major liberalisation of world trade and new, up-dated rules to govern international commercial relations for the next decade and beyond.

While 97 nations are attending the talks, agreement between the three main trading powers is essential if progress is to be made. Between them the U.S., the EEC and Japan account for more than half world trade.

All three have subscribed to a working hypothesis under which the aim would be an average cut of about 40 per cent. in industrial tariffs, spread over eight to ten years. The Community, however, has not officially committed itself to the 40 per cent. figure, about which France and Britain have strong reservations.

### Safeguard

The Community, at French insistence, would prefer the tariff cuts to be presented as an overall average of only 35 per cent.

This could be achieved if actual cuts in tariffs averaged no more than 40 per cent., given that rates on some goods will remain unchanged.

The Community is accordingly proposing that a further positive decision should be required before the final stages of the cuts are completed. It also wants it to be possible in future for safeguards to be introduced selectively against one or more countries, instead of indiscriminately against all trading partners, as at present.

Tariffs, however, are only one aspect of the talks, which cover a vast range of non-tariff barriers: export subsidies and countervailing duties, as well as trade in agricultural products. It is also hoped to reach agreement on a number of important new international codes of conduct in areas such as Government procurement, technical standards, customs valuation and import licensing.

Editorial Comment Page 10

## Leyland share of market may not reach more than 25%

By OUR INDUSTRIAL STAFF

THE GRAVITY of the crisis confronting Leyland Cars is expected to be underlined by Mr. Michael Edwards, British Leyland chairman, when he addresses a mass meeting of shop stewards in Birmingham next week.

Forecasts circulating within the company suggest that over the next five years the State-owned concern will achieve little more than a 25 per cent. share of the U.K. market.

This gloomy assessment contrasts with the review undertaken just eight months ago in the wake of the toolmakers' strike, when the group reaffirmed its objective of a 32 per cent. share.

There are fears of a major assault on the U.K. car market by importers, particularly by Japan. While Leyland hopes to recover from its present 24 per cent. share to perhaps 29 per cent. by the end of the year, the improvement is not expected to be sustained.

Weakness in the range of models offered, particularly in the fleet car market, is expected to leave the company vulnerable.

The implications of lower market penetration for the company's output, profit and investment are serious.

The cars division is thought to have returned a small pre-tax profit in 1977, but can expect little improvement this year.

Capital spending on major projects has been subject to review and economies will be sought; for example, the £300m. programme to double output of the successful Land Rover and Range Rover models is likely to be phased over a longer period.

The need to raise productivity to that of international competitors is a priority. This year Leyland plans to shed 12,000 jobs as a first step towards improving manning levels.

In an effort to overturn Mr. Edwards' plans for redundancies, the Leyland shop stewards are to launch an unprecedented campaign to-day to gain shopfloor support for a drastic reduction in the number of strikes.

Leyland is expected to produce more than 1m. vehicles a year, but the company expects strikes this year to cut output to only £25,000. Trades unionists on the Cars Council, the top-level worker participation body, are urging Mr. Edwards to allow them to prove that they can achieve the 1m. level as an alternative to the job cuts.

Final decisions on a new organisational structure for Leyland Cars are expected to be reached this week. Mr. Edwards is known to favour the creation of separate companies for Austin-Morris, Rover-Triumph-Jaguar and the components division.

The managing directors of these would report to a corporate vice-chairman with overall responsibility for car operations. However, the practical problems involved in imposing this new structure are considerable in view of the integration which has taken place in the past two years.

Some executives, as well as union officials, are worried about the disruptive effect of another big upheaval so soon after the Ryder reorganisation.

Continued from Page 1

## Government expected to approve Liberal share-ownership plan

By JOHN ELLIOTT, INDUSTRIAL EDITOR

A CONSULTATIVE document containing Government plans to boost employee share-ownership schemes through tax concessions is likely to be published by the Treasury during the next week or two.

The plans have been urged on the Government by the Liberal Party. The Cabinet is now expected to approve early publication of the document following the Liberal Assembly's backing for the Lib-Lab pact.

Three alternative ways of encouraging share ownership schemes are contained in the document, which has been discussed by Mr. Joel Barnett, Chief Secretary to the Treasury, and Mr. John Pardo, the Liberal economics spokesman. The Liberals hope one of the options will be included in the Budget and may thus become law in the Finance Bill during the summer.

The option preferred by the Liberals would involve a major income tax concession which would allow employees to be allocated a part of a company's profits in shares up to an annual limit of £500 without paying income tax.

The shares would be those of the company in which the employee worked, so that, where both a holding company and a subsidiary were quoted concerns, it would be the shares of the subsidiary which would be issued. It is likely that the shares would be paid into a trust and participating employees would then be issued with units in the trust.

The scheme would be entirely voluntary but would mean that an employee opting for shares would receive them to a value considerably higher, because of the tax concession, than an employee opting for a cash dividend. The shares would be costed at the time of issue but at a discounted rate. There would be an extra concession that capital held for at least five years. It gains tax would not be payable on the difference between the discounted and full price of the shares.

There would, however, be no special corporation tax advantages for the company concerned. This is because the Government believes that the fact that the amount of the shares would automatically count as an allowable cost for corporation tax purposes (like ordinary wages) should be enough incentive to encourage employers to consider introducing such schemes.

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